Calendar No. 405

104TH CONGRESS *2d Session*	SENATE	REPORT 104–271

FY

CONCURRENT RESOLUTION ON THE BUDGET

1997

R E P O R T

OF THE

COMMITTEE ON THE BUDGET UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 57

TOGETHER WITH

ADDITIONAL AND MINORITY VIEWS

Setting forth the congressional budget for the United States Government for fiscal years 1997, 1998, 1999, 2000, 2001, and 2002

MAY 13, 1996.—Ordered to be printed

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104TH CONGRESS } SENATE { REPORT
2d Session } { 104–271

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1997

MAY 13, 1996.—Ordered to be printed

Mr. DOMENICI, from the Committee on the Budget, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 57]

The Committee on the Budget submits the following report, accompanying the Concurrent Resolution on the Budget and setting forth the congressional budget for the United States Government for fiscal years 1997, 1998, 1999, 2000, 2001, and 2002 pursuant to the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93–344).

I. INTRODUCTION AND OVERVIEW

The Committee's reported Concurrent Resolution on the Budget achieves a balanced budget in the year 2002 (including the social security outlays and social security receipts) as was proposed and enacted by Congress and vetoed by the President last year. This Budget reduces the federal unified deficit from $144 billion in 1996 to balance in the unified budget in 2002. *(Excluding the social security surplus in 2002—estimated to be approximately $100 billion—the on-budget deficit would total $100 billion.)*

The Committee's recommendation would reduce total spending by nearly $441 billion over the next six years. Over 85 percent of the spending restraint ($375 billion) would be targeted on mandatory spending programs. Discretionary spending would be reduced $64 billion. Even with this needed restraint to achieve balance, total federal spending still grows from $1.575 trillion this year to

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over $1.846 trillion in 2002, a 2.7 percent annual rate of increase. Total discretionary spending would reach nearly $3.2 trillion over the next six years.

Under the assumptions of the Committee's recommendations, total discretionary spending for FY 1997 equal to $494.2 billion in BA and $535.7 billion in outlays. In the aggregate, discretionary spending in 1997 represents essentially a freeze at the 1996 current appropriated levels. Relative to the FY 1997 assumptions in last year's budget resolution and the vetoed BBA, this represents nearly $12 billion an increase in outlays for 1997 and a $7 billion increase in BA. Relative to last year's vetoed BBA, over the next six years, total nondefense discretionary spending would increase $31.5 billion in BA and $55 billion in outlays.

Under the assumptions of the Committee's recommendations, the Appropriations Committee will allocate the discretionary spending level among its Subcommittees in a manner that will remain within the overall allocation provided by the budget resolution (602a).

The Committee reported Budget Resolution assumes an illustrative way in which particular programs may or may not benefit from such an aggregate level of funding. As an example:

Assumes increased funding for National Science Foundation research and related activities and increased funding for NASA. The proposal would provide more funding for NASA than is proposed in President Clinton's 1997 budget request.

Assumes increased funding of nearly $900 million in 1997 for a reformed Superfund program ($6.3 billion in BA over the next six years). These monies would not be allocated to the Appropriations Committee unless authorization reforms of the program, including extension of Suprerfund taxes, were enacted.

Assumes $200 million increased funding in 1997 for Safe Drinking Water programs.

Assumes full funding of the Violent Crime Trust Fund and related crime fighting programs. Funding for Administration of Justice programs would increase nearly 10 percent over the 1996 funding levels.

Assumes $2.7 billion funding for the decennial census over next six years.

Assumes no reductions in NIH funded health research programs.

Assumes $1.3 billion increased funding for education programs in 1997 relative to pre-OCRA 1996. Total education discretionary funding would exceed $36.2 billion in 1997 and nearly $215 billion over the next six years. There would be no reduction in education funding in 1997, and over the period 1997 to 2002, the resolution provides increased funding totaling $3.1 billion relative to the CBO freeze baseline.

Assumes $2.3 billion increased funding for the WIC nutrition program over the next six years.

Assumes the President's proposed reductions in REA funding, reduced clean coal R&D, reduced funding for NOAA, a reduction in conservation operations to the President's request, reduction in transit and AMTRAK operating subsidies, termination of essential air service funding, phase out of EDA, reductions in CDBG, completion of GAO 25% funding program, repeal of Davis Bacon, reduction in the number of political appointees, and other personnel reforms.

Other nondefense discretionary programs were assumed to be frozen at their 1996 appropriated level for six years, or reduced below a freeze.

Assumes discretionary defense spending at the 1996 Budget Resolution level adjusted for changes in inflation since the 1996 Budget Resolution defense spending levels were adopted. Relative to 1996 defense spending levels, this adjustment would reduce defense BA by about $14.3 billion over the next six years.

Under the assumptions of the Committee's recommendations, reformed programs providing assistance to low income Americans would continue to grow from about $90 billion this year to over $105 billion in 2002, a 3.7 percent annual rate of increase. The Committee's recommendation assumes welfare reform savings of $53 billion over next six years based on the Bipartisan National Governors Association proposal of this winter.

Under the assumptions of the Committee's recommendations, a reformed Medicaid program would grow from $96 billion this year to nearly $140 billion in 2002, a 6.4 percent annual rate of increase. The Committee's recommendation assumes Medicaid reform savings of $72 billion over next six years again based on major provisions of the Bipartisan National Governors Association proposal of last winter. Total federal Medicaid spending would exceed $730 billion over the next six years.

Under the assumptions of the Committee's recommendations, a reformed Medicare program would grow from $196 billion this year to nearly $280 billion in 2002, while Part A solvency would be insured for a decade. The reformed Medicare program will increase at an annual rate of nearly 6.1 percent and total expenditures will exceed $1.459 trillion over the next six years. Assumes a net Medicare savings of $158 billion over next six years, based on a package of reform provisions contained in the vetoed BBA, with modifications. Emphasis would remain on choice. The Committee's recommendations also assumes a new spending program for Graduate Medical Education totaling $10 billion over the next five years.

Under the assumptions of the Committee's recommendations, Earned Income Credit (EIC) program would be reformed to save $17 billion over the next six years. Total EIC outlays will exceed $121 billion over the same period.

Additional entitlement savings are similar to those in the vetoed BBA of last year: including veterans, civil service reform, student loans, and other privatization proposals included in the BBA.

The Committee's recommendation would provide tax relief to American families totaling $122 billion. The Committee's recommendation provides the opportunity for tax reform, with emphasis on one particular policy—a permanent, nonrefundable, nonindexed tax credit of $500 per child under the age of 18, phased out for unmarried individuals with incomes over $75,000 and couples with incomes over $110,000.

The Committee's recommendation would accommodate further tax reform or tax reductions to be offset by the extension of expired tax provisions or corporate and business tax reforms. Should the tax writing committees choose to raise additional revenues through these or other sources, such receipts could be used to offset other tax reform proposals such as estate tax reform, economic growth, fuel excise taxes, or other policies on a deficit neutral basis.

Implementation of the 1997 Budget Resolution would entail a three-step reconciliation process:

Step 1: Reconciled savings from Medicaid/welfare reform would be reported to the Budget Committees by June 14. Senate/House final action would be complete by June 28. Legislation would be transmitted to the President for signature or veto after 4th of July recess.

Step 2: Reconciliation of remaining entitlement savings in budget resolution would be reported to the Budget Committees by July 12. If President vetoes Medicaid/welfare—decision could be made at this time as to whether to proceed with Step 2 and 3. If President signs Medicaid/welfare reform, a goal would be to complete remaining reconciliation items by August 2.

Step 3: If both the first and second bills are enacted into law, then a final reconciliation of tax reductions would follow the August recess—assuming completion of Steps 1 and 2. Tax writing committees would report directly to their respective chambers, no requirement to report to Budget Committees.

TABLE 1.—AGGREGATE BUDGET TOTALS

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
On-budget:							
Budget authority	1,266.8	1,318.5	1,361.7	1,392.5	1,433.6	1,453.9	1,499.1
Outlays	1,277.0	1,314.9	1,353.6	1,382.5	1,415.7	1,433.0	1,467.4
Revenues	1,062.5	1,086.2	1,129.9	1,176.1	1,229.9	1,289.6	1,359.1
Deficit	−214.5	−228.7	−223.7	−206.4	−185.8	−143.4	−108.3
Off-budget:							
Budget authority	310.2	318.5	335.3	347.6	358.2	376.5	388.7
Outlays	297.7	311.1	324.5	334.2	348.7	365.0	378.9
Revenues	365.2	385.0	402.3	423.4	445.1	465.2	487.3
Surplus	67.5	73.9	77.8	89.2	96.4	100.2	108.4
Unified budget:							
Budget authority	1,577.0	1,637.0	1,697.0	1,740.1	1,791.8	1,830.4	1,887.8
Outlays	1,574.7	1,626.0	1,678.1	1,716.7	1,764.4	1,798.0	1,846.3
Revenues	1,427.7	1,471.2	1,532.2	1,599.5	1,675.0	1,754.8	1,846.4
Deficit/surplus	−147.0	−154.8	−145.9	−117.2	−89.4	−43.2	0.1
Debt subject to limit	5,159.0	5,445.3	5,719.1	5,971.6	6,204.3	6,395.1	6,547.0

TABLE 2.—COMMITTEE RECOMMENDATION BY SPENDING CATEGORY

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	6-year total
Discretionary:								
Defense	265	265	263	266	269	268	268	1,599
Nondefense	271	271	264	260	256	250	249	1,551
Subtotal discretionary	536	536	527	526	526	518	516	3,150
Mandatory:								
Social Security	348	365	383	402	422	444	467	2,484
Medicare	196	209	224	236	249	263	279	1,459

TABLE 2.—COMMITTEE RECOMMENDATION BY SPENDING CATEGORY—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	6-year total
Medicaid	96	105	111	117	126	133	139	731
Welfare programs	83	89	89	92	100	98	106	573
EITC (outlays)	16	18	18	19	20	20	21	116
Other mandatory	59	62	82	81	83	84	82	474
Net interest	240	242	244	243	240	238	236	1,444
Total outlays	1,575	1,626	1,678	1,717	1,764	1,798	1,846	10,430
Revenues	1,428	1,471	1,532	1,600	1,675	1,755	1,846	9,879
Resulting deficit/surplus	−147	−155	−146	−117	−89	−43	0	....

Note.—Details may not add to totals due to rounding. All totals shown on a unified budget basis.

TABLE 3.—COMMITTEE RECOMMENDATION COMPARED TO BASELINE

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	6-year total
Freeze baseline deficits [1]	146	158	164	155	147	125	121	....
Discretionary:								
Defense	....	−1	−1	1	3	7	5	13
Nondefense	....	−3	−7	−11	−14	−20	−22	−77
Mandatory:								
Social Security	....	....	....	....	....	....	....	....
Medicare: [2].								
Part A solvency	....	−5	−10	−16	−23	−30	−39	−123
Part B President's proposals	....	−2	−2	−6	−9	−12	−14	−44
Medicaid	....	−0	−4	−9	−12	−19	−27	−72
Welfare programs	....	−1	−7	−9	−11	−11	−13	−53
EITC	−0	−2	−3	−3	−3	−3	−3	−17
Other mandatory	....	−4	−3	−6	−8	−9	−12	−42
Revenues:								
Tax relief	1	15	20	24	23	23	16	122
Total policy changes	1	−3	−17	−36	−53	−74	−109	−293
Debt service	0	−0	−1	−2	−4	−7	−12	−26
Total deficit reduction	1	−3	−18	−37	−58	−82	−121	−319
Resulting deficit/surplus	147	155	146	117	89	43	−0	....

[1] Budget resolution baseline includes adjustments for OCRA, subsidized housing, students loans, etc.
[2] Excludes $10 billion reserved for Graduate Medical Education included in "other" mandatory spending.

Note.—Details may not add to totals due to rounding. All totals shown on a unified budget basis. Revenue reduction shown as positive because it increases the deficit. Welfare programs include: Food stamps, SSI, family support, child nutrition, and foster care.

II ECONOMICS

The Committee's baseline is built upon multi-year economic assumptions, which reflect the expected benefit from balancing the budget by 2002. These economic projections were developed by the Congress Budget Office (CBO) an are listed in Table III. The forecasts for 1996 and 1997 reflect CBO's assessment of short-run trends and the economy's cyclical position, while out year figures are based upon long-run economic trends.

ECONOMIC OVERVIEW

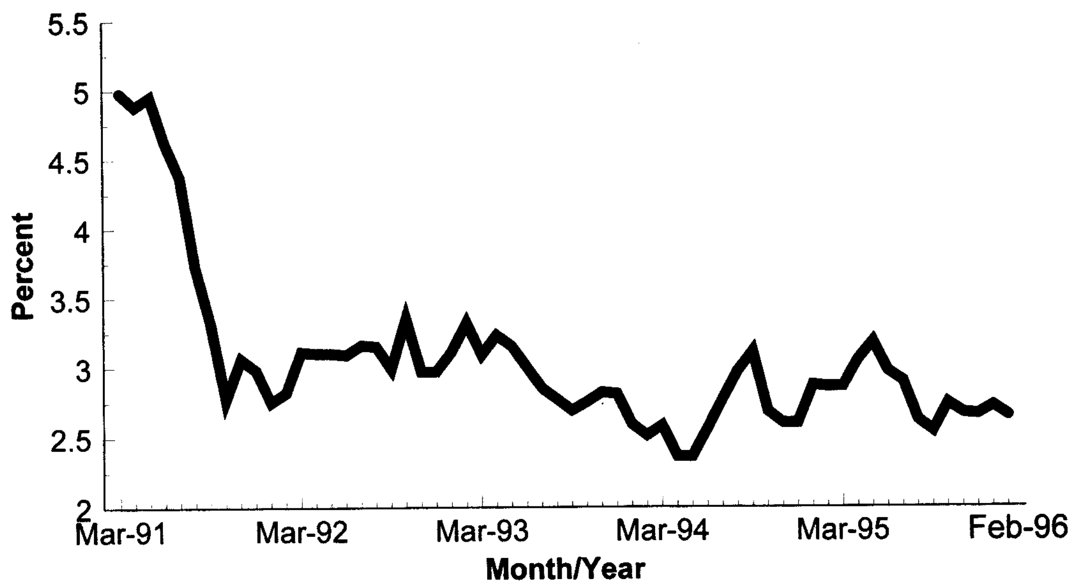
GDP growth slowed in 1995 to 2.0 percent, in what many termed a growth recession within the current 5 year recovery. This slowing is consistent with the Federal Reserve's 'soft landing' strategy, whereby growth is targeted at its potential rate of 2.0 percent—the rate of growth which sees full utilization of resources with no capacity strains. Although some believe that 2.0 percent is too low, trend growth is not determined by the Fed. Long-run growth is fueled by productivity gains and growth of the labor force, issues which are influenced by fiscal policy. The Fed's goal is to keep the economy close to its current potential, thus smoothing out sharp and unwanted fluctuations in growth.

Although two administrations have presided over this recovery, the credit for its longevity goes to the Federal Reserve. By keeping inflation under 3 percent for the last 5 years (as shown in Chart 1), the Fed fostered a sharp decline in 30 year interest rates from over 9.0 percent in 1990 to lows near 5.8 percent in late 1993.

Chart 1

CPI Growth - Year/Year

In the Present Recovery



This led to a multi-year boom in interest rate sensitive sectors like housing and consumer durable purchases, and sustained growth overall. In order to head off the type of inflationary pressures which have cut short previous recoveries, the Fed tightened policy preemptively in 1994 before relaxing policy again in mid 1995. Given the roughly one year lag in monetary policy, 1995's slowdown in interest rate sensitive sectors is seen as a response to 1994's rate hike.

TABLE I.—SOURCES OF YEARLY GROWTH (PERCENT) DURING PRESENT RECOVERY: MARCH 1991–PRESENT

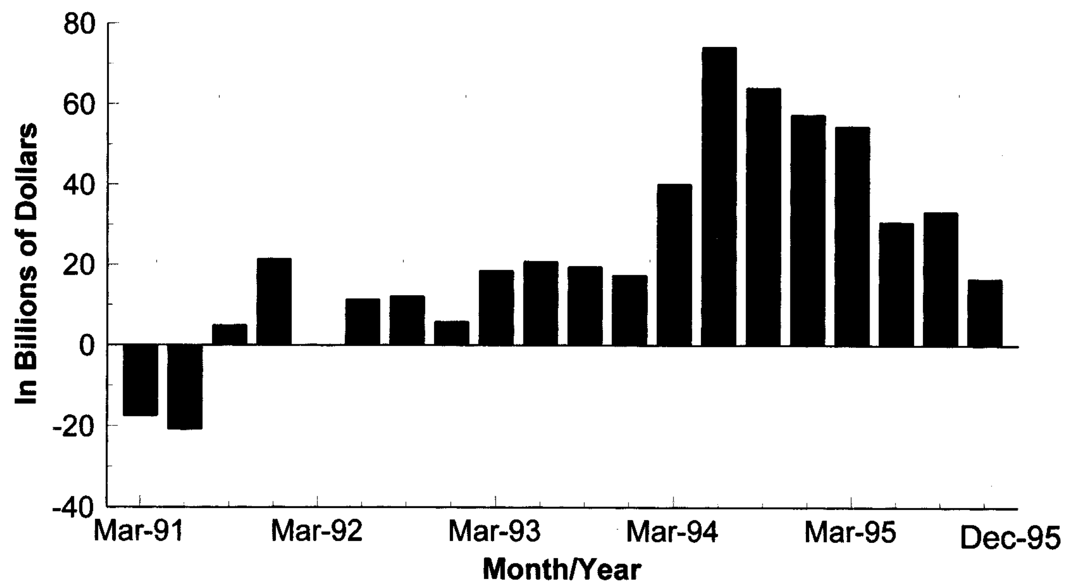
	Overall growth	Consumer durable purchases	Consumer non-durable purchases	Producer durables equipment	Residential investment	Exports
1992	2.7	5.7	1.6	6.1	16.6	6.6
1993	2.2	7.3	2.0	10.0	7.6	3.3
1994	3.5	7.2	3.1	13.2	10.8	8.3
1995	2.0	3.4	2.3	10.5	−2.3	8.3

1995's slowdown prompted an unwanted rise in business inventories, which prompted firms to scale back production in order to limit further inventory buildup. This can be seen in Chart 2. This capped overall GDP growth. If one looks at final sales instead of overall GDP (which strips out the effect of inventories), 1995 growth rose 2.4 percent.

Chart 2

Quarterly Inventory Accumulation

During Present Recovery



This inventory adjustment hurt the manufacturing sector acutely, leading the loss of 165,000 jobs there over the course of 1995. When coupled with previous years' investment surge, manufacturing capacity usage fell sharply from January's 84.6 percent level to December's 81.8 percent, assuaging inflation concerns. Continued strength in US exports did provide a partial safety valve for US producers despite the domestic slowdown.

1997 BUDGET RESOLUTION ECONOMIC ASSUMPTIONS

Fiscal dividend:

This year's economic projections differ in a fundamental way from those made last spring—they build in the beneficial impact from balancing the budget and are thus termed *'post-policy'* economic forecasts. With a balanced budget assumption, trend GDP growth is boosted by 0.1 percent out to 2002 and interest rates are 110 basis points lower. These more favorable economic forecasts combine to reduce the deficit by a cumulative $254.1 billion out to 2002, $75.0 billion in 2002 alone.

In last spring's reports, the economic forecasts themselves did not incorporate the economic benefits of a balanced budget. Rather, CBO used what it termed 'present policy' economics and allocated a fiscal 'dividend' for balancing the budget as an add-on once policies had been formulated to achieve credible balance in 2002.

Whether incorporated in the economic forecasts or added on as an explicit dividend, the same amount of budgetary savings is achieved. This savings stems from the fact that a balanced budget will lead to lower government borrowing costs, higher revenues, and reduced outlays on unemployment claims. The catalyst for this savings is lower interest rates which arise as decreased public borrowing frees up domestic savings. This then leads to increased investment, boosting productivity and growth. While this may sound like an antiseptic chain of events, there are direct and visible benefits to individuals as well—consider a reduction in a fixed rate, 30 year mortgage from 8.0 percent to 6.9 percent as long-term interest rates fall.

The size of the anticipated fiscal dividend changed over the course of the year. March 1995's fiscal dividend was estimated at $170 billion and was presented as a budgetary add-on. In CBO's December 1995 update, the estimated fiscal dividend grew to $282 billion over the seven year period. This increase stemmed from CBO's inclusion of an expected boost in corporate income tax receipts from the drop in interest rates—lower rates reduce businesses' borrowing costs, raising profits and hence taxes paid. This savings was built into the 'post-policy' economic assumptions.

In its most recent report in March 1996, CBO estimated the fiscal dividend at $254.1 billion. Changes in 'pre-policy' economic assumptions are a large reason why this most recent estimate is lower than December's $282.2 billion total. However, the March 1996 dividend did receive a small boost from the inclusion of lower interest rate servicing in student loans. There is an additional item in the March 1996 fiscal dividend which appears to inflate its total on paper—debt service savings on the fiscal dividend itself. This is merely a change in the way the dividend is presented. It is prompted by the fact that the fiscal dividend is assumed to reduce the current policy baseline deficit before policy changes are made, resulting in debt service savings on the fiscal dividend itself. Previously, the fiscal dividend was presumed to replace a portion of the policy savings which led to a balanced budget, so no additional debt service was attributed to the dividend.

TABLE II.—EVOLUTION OF THE FISCAL DIVIDEND

	1996	1997	1998	1999	2000	2001	2002	7-year total
March 1996:								
Interest	−0.2	−3.2	−10.8	−21.9	−32.0	−38.3	−43.2	−149.6
Debt Service	−0.0	−0.2	−0.9	−2.2	−4.2	−6.9	−10.1	−24.4
Revenues	−0.0	−2.1	−7.3	−12.7	−16.3	−18.6	−21.1	−78.1
Student Loans	0.4	−0.0	−0.3	−0.5	−0.5	−0.6	−0.6	−1.0
Total	0.2	−5.5	−19.3	−37.3	−53.0	−64.4	−75.0	−254.1
December 1996:								
Interest	−1.5	−7.5	−16.2	−25.6	−33.9	−37.6	−39.7	−162.0
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenues	−5.5	−13.5	−19.4	−21.0	−20.4	−20.0	−20.5	−120.3
Student Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	−7.0	−21.0	−35.6	−46.5	−54.2	−57.6	−60.2	−282.2
March 1995:								
Interest	−2.0	−6.0	−12.0	−20.0	−28.0	−36.0	−42.0	−146.0
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenues	−1.0	−1.0	−2.0	−3.0	−4.0	−5.0	−8.0	−24.0
Student Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	−3.0	−7.0	−14.0	−23.0	−32.0	−41.0	−50.0	−170.0

Economic forecasts

Current GDP forecasts are done on a chain-weighted basis, following the switch in measurement techniques by the Commerce Department at the end of 1995. Previously GDP growth had been measured on a fixed weight basis using relative prices of goods from a certain base year when calculating subsequent year's growth. While this method is fine if relative prices are fairly steady, distortions arise when items undergo marked price swings. Given the sharp fall in computer prices, fixed-weight measures of GDP were overstated in recent years. This overstatement was corrected by the shift to chain-weights, which uses weights from adjacent years on a rolling basis instead of fixed weights. This permits shifts in relative prices and output composition to be reflected.

Inflation is expected to remain at or below 3.0 percent out to 2002, given assumed Fed vigilance. These forecasts include two, upcoming technical changes in BLS' calculation of CPI. (1) Roughly every 10 years, the BLS updates the consumption basket used to calculate CPI. This will occur next in 1998, using weights based on consumer expenditures in 1993-1995. Since this updated survey will reflect consumer shifts to declining price goods, this is expected to shave 0.2 percent off CPI initially, before an upward bias creeps back in the further one gets from the base period. CBO has already assumed this update. (2) The BLS stated recently that it will eliminate the remaining 0.1 percent of sample rotation bias from CPI as of July 1996. CBO had assumed that BLS would eliminate this bias and had priced this adjustment into their forecasts already. However, they had looked for a 0.16 percent correction, meaning the inflation forecasts used in the baseline projections are slightly under-estimated. Given the small size of change, however, this would only boost the deficit by no more than $12 billion cumulatively out to 2002.

Unemployment is expected to edge slightly higher toward 6.0 percent from its current 5.6 percent level, resting just above the assumed NAIRU (non-accelerating inflation rate of unemployment).

TABLE III.—CALENDAR YEAR ECONOMIC PROJECTIONS

	1995	1996	1997	1998	1999	2000	2001	2002
Percent change, year over year:								
Nominal GDP:								
CBO	4.6	4.6	4.8	4.9	4.9	4.9	4.9	4.9
Administration	4.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Blue Chip	4.6	4.2	4.6	4.4	4.5	4.9	4.7	4.8
Real GDP (chained 1992 dollars):								
CBO	2.0	2.0	2.0	2.1	2.2	2.2	2.2	2.2
Administration	2.0	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Blue Chip	2.0	1.9	2.1	1.9	2.0	2.4	2.3	2.3
Chained GDP deflator:								
CBO	2.5	2.6	2.8	2.7	2.7	2.7	2.7	2.7
Administration	2.5	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Blue Chip	2.5	2.3	2.4	2.4	2.5	2.5	2.4	2.5
CPI–U:								
CBO	2.8	2.8	3.1	3.0	2.9	2.9	2.9	3.0
Administration	2.8	2.8	3.0	2.8	2.8	2.8	2.8	2.8
Blue Chip	2.8	2.7	2.8	2.9	2.8	2.9	2.8	2.8
Percent, annual:								
Unemployment rate:								
CBO	5.6	5.8	6.0	6.0	6.0	6.0	6.0	6.0
Administration	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Blue Chip	5.6	5.7	5.8	6.3	6.3	6.1	6.1	6.0
Three-month treasury bill:								
CBO	5.5	4.9	4.8	4.3	3.9	3.7	3.7	3.7
Administration	5.5	4.9	4.5	4.3	4.2	4.0	4.0	4.0
Blue Chip	5.5	4.9	4.9	5.2	5.1	5.0	4.9	4.9
Ten-year treasury yield								
CBO	6.6	5.7	5.5	5.3	5.3	5.3	5.3	5.3
Administration	6.6	5.6	5.3	5.0	5.0	5.0	5.0	5.0
Blue Chip	6.6	6.0	6.1	6.4	6.3	6.3	6.2	6.2

Note: CBO March 1996 projections; Administration March 1996 projections; Blue Chip March/April 1996 projections.

RECENT DEFICIT DEVELOPMENTS

Five years of economic growth, the consequent benefit to the thrift clean-up, and a large tax hike were the main drivers behind the deficit's decline from $290 billion in 1992 to 1995's $164 billion level. Unfortunately, almost none of the reduction stems from entitlement spending cuts. This backdrop warns that recent deficit progress may be transitory unless more structural action is taken on the deficit.

A common way to distinguish causes of deficit reduction is to strip out the changes in the deficit (increases or decreases) that are attributable to the economy. This measure, the standardized-employment deficit, allows one to discern the amount of structural—or real—progress made in reducing the deficit. When one also strips out the impact of the thrift crisis, CBO has calculated that only $48 billion of the recent $126 billion reduction results from policy action taken by the Clinton Administration. And most of the policy action came in the form of tax increases.

Another way to assess the source of the recent deficit reduction is to compare CBO's projection of the 1995 deficit in January 1993, when President Clinton entered the White House, to the actual 1995 deficit. At that time, CBO projected the 1995 deficit at $284 billion—the actual was $164 billion. Of the $120 billion difference between actual and projected deficits, only $46 billion stems from policy changes—virtually all of which comes from OBRA 93 tax hikes and user fee increases. (See Chart 3).

The remaining $73 billion in deficit reduction came from (1) economic growth and (2) technical factors like an unexpected slowdown in Medicare and Medicaid growth rates and thrift resolution (decreased outlays and recently profits from asset sales). These are factors for which President Clinton can not take direct credit.

Chart 3

Changes in 1995 Deficit Estimates

From January 1993's Projection of $284 billion to Actual $164 billion

	1995 DEFICIT
January 1993 (projected)	**$284 billion**
Changes	
Economic	-$13 billion
Technical	-$60 billion
Policy	-$47 billion
Tax Hikes	-$46 billion
Spending Cuts	-$ 1 billion
1995 Actual	**$164 billion**

Sources: SBC Majority Staff based on CBO data.

Both measures of deficit reduction composition tell the same story: most of the deficit drop has been the consequence of cyclical factors, resolution of the thrift savings crisis, and tax hikes—not legislated entitlement restraints. In fact, an April 1995 GAO study acknowledged that "OBRA 93 did not fundamentally alter the growth of the major entitlement programs and their potential fiscal effects." [1]

CHALLENGES AHEAD

Without efforts to control the entitlement explosion, the deficit picture beyond 2020 deteriorates markedly. CBO has warned recently that the publicly held debt to GDP ratio will soar to well over 100 percent at such time without substantive action. This compares with the present 52 percent ratio. Use of generational accounting suggests that future generations will face an effective tax rate of 84 percent under such a scenario.

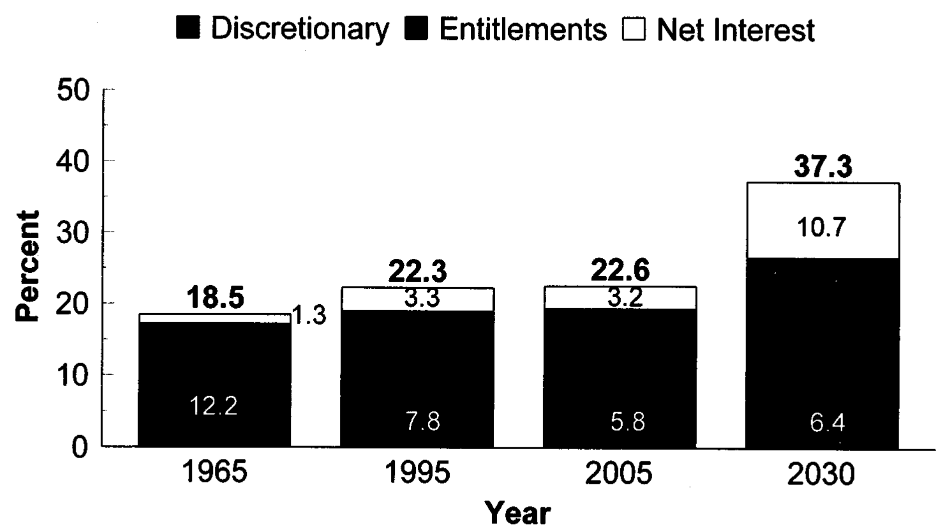
The Bipartisan Commission on Entitlement and Tax Reform estimated that the entitlement expenditures to GDP ratio will reach 20 percent of GDP by 2030, and totally consume federal revenues. (Chart 4). This compares with the present 11.6 percent entitlement to GDP ratio today and only a 7 percent level in 1962.

[1] General Accounting Office, *The Deficit and the Economy: An Update of Long-Term Simulations,* April 1995.

Chart 4

Federal Spending by Category

(Percents of GDP)



Note: Excludes offsetting receipts.
2005 is CBO March 1996 estimate.
2030 is Bipartisan Commission on Entitlement and Tax Reform estimate.

This shift toward greater entitlement spending is discouraging since it diverts an increasing share of government outlays from productive investments and directs it toward groups with a high propensity to consume. With relatively low national savings rates already, this bias will further constrain US productivity and hence living standards.

A look at specific programs is even less encouraging. The Bipartisan Commission on Entitlement and Tax Reform looks for Medicare expenditures to triple to 11 percent of GDP by 2030. To cover Medicare HI outlays alone, payroll taxes would have to rise from the current 2.9 percent to over 8.0 percent by 2030. In a similar vein, the Social Security Trust Fund is projected to run out of money by 2029. To cover Social Security outlays, payroll taxes would have to rise from the current 12.4 percent to 16.5 percent by 2030. Cutting only discretionary outlays will not solve the problem—if discretionary spending was frozen at 1996 levels and post-policy economics are employed, the federal deficit would still be $120 billion in 2002.[2]

ECONOMIC CONSEQUENCES OF INACTION

The symptoms of persistent US fiscal excess have become more and more apparent in recent years. US savings and investment ratios have fallen steadily since the 1960s and remain low when compared with other industrialized countries. (Chart 5). A sparse domestic savings pool constrains investment, although some additional investment can be financed by borrowing money abroad. This foreign borrowing constitutes the current account deficit. A temporary current account deficit is not necessarily a negative, if foreign funds are used for productive investment which will generate trade and current account surpluses down the road. However, deficits are problematic when they are persistent. Unfortunately, this is true for the US which has been in sustained current account deficit since 1982. Persistent reliance on foreign financing transformed the US from a creditor to a debtor nation in 1987. The situation has only worsened going forward—the US is now the world's largest debtor, with liabilities in excess of $650 billion. The increasing role played by foreign investors can be seen in the growing foreign holdings of Treasuries as seen in Chart 6.

Recently, this has been driven by central bank purchases via dollar intervention, itself a troubling sign of deficient foreign private interest. The danger of increased foreign financing is that the US will have to pay out an increasing amount of debt service abroad, constituting a net loss for the US economy. This problem is highlighted by the fact that the US ran its first deficit on interest rate service in 1994, with this trend expected to worsen going forward in a vicious circle—interest servicing widens the current account deficit, necessitating more foreign investment, which boosts subsequent interest servicing and so on.

The desired, remedial boost to US savings will not come on its own—indeed, there are many disincentives to savings which must be extricated from the US tax code and governmental policy. The

[2] The Congressional Budget Office, *The Economic and Budget Outlook, Fiscal Years 1997–2006: A Preliminary Report,* March 28, 1996; Senate Budget Committee.

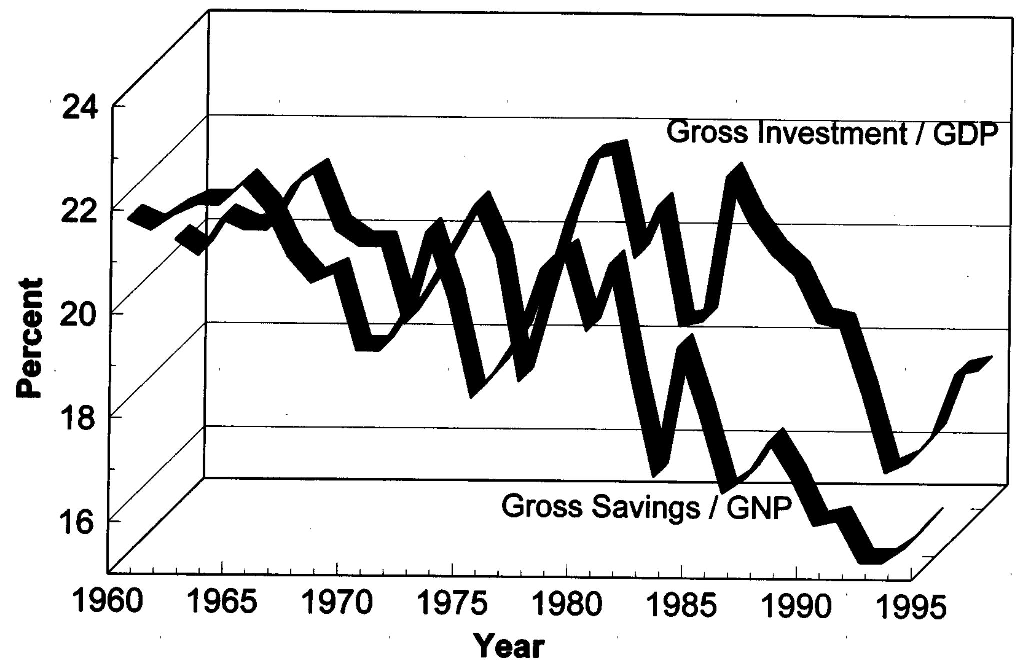
foremost step is to reduce the federal deficit, decrease governmental dissavings and thus boost gross savings economy-wide.

Enhanced savings is not the end goal in and of itself—rather, it is important because it is the best vehicle for raising Americans' living standards. High savings boosts investment and thus raises productivity and national income. The tight link between productivity growth and compensation has been well documented and can be seen in Chart 7.

Chart 5

Gross Savings & Investment

As a Percentage of GNP



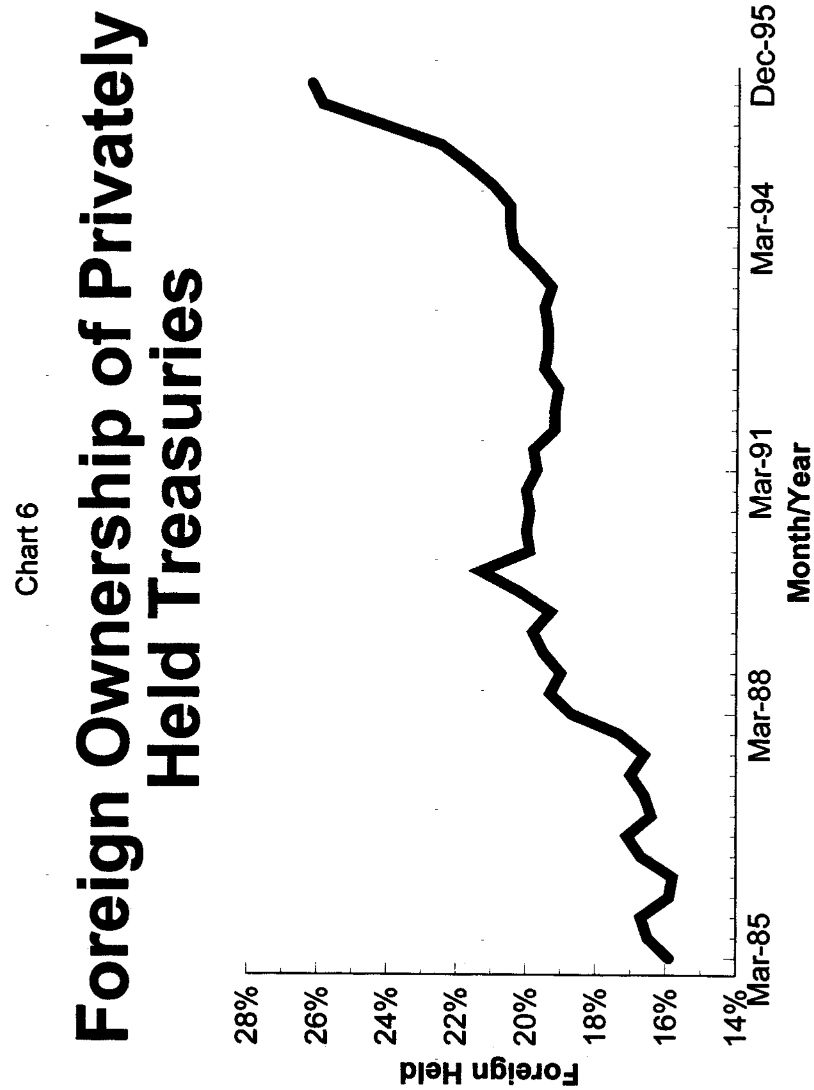
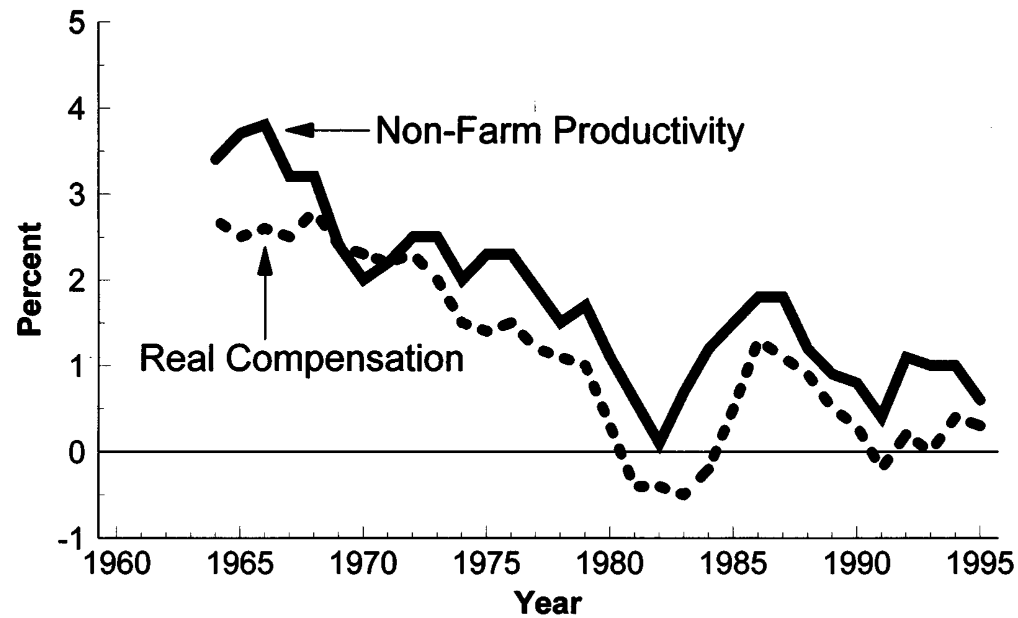


Chart 6
Foreign Ownership of Privately Held Treasuries
Foreign Held
28%
26%
24%
22%
20%
18%
16%
14%
Mar-85
Mar-88
Mar-91
Mar-94
Dec-95
Month/Year

Chart 7

Productivity vs. Real Compensation

(5 Year Smoothed Averages)



After averaging over 2.5 percent in the 1960s, productivity has remained at an unsatisfactory 1.1 percent average from 1973 to present. One direct cause has been the decline in US savings and investment—this was exacerbated by the fact that steadily greater shares of private savings went to the federal government, which in turn devoted an ever increasing share of funds toward current consumption' entitlements and away from productive, long-term public investment. It is crucial to scale back the government intrusion into private savings and to affect tax changes which shift the bias toward savings from consumption. If the US is successful in achieving a permanently balanced budget, CBO estimates that national income would be 10-15 percent higher by the year 2025 than if current policy were left unchanged.[3]

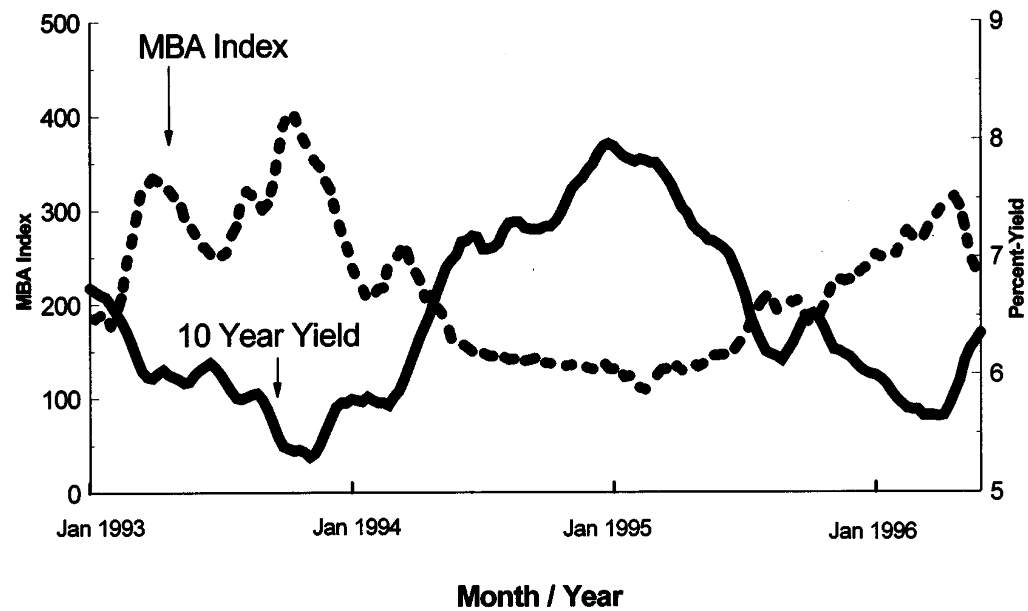
RISKS TO ECONOMIC ASSUMPTIONS

While staff economists believe that 2.0 percent growth is likely this year, the one main risk stems from the trajectory of long-term interest rates. Following signs of economic pick-up in February/March 1996 and a lack of budget progress, 10 year bond yields backed up roughly 100 basis points from their 5.5 percent level in January 1996 to their present 6.5 percent. Having seen the impact of 1994's interest rate backup on 1995 growth, the recent interest rate move is troubling. Interest rate sensitive sectors like housing and consumer durables remain the most vulnerable. The strong link between interest rates and housing can be seen in a plot of the Mortgage Bankers Association financing applications versus the 10 year bond yield in Chart 8. In order to keep growth on track, it is imperative that quick action is taken on balancing the budget in order to reassure bond holders and see interest rates edge back down.

[3] Statement of June O'Neill, Director, Congressional Budget Office, on *The Economic and Budget Outlook: Fiscal Years 1997–2006* before the Committee on the Budget, United States Senate, April 18, 1996, page 20.

Chart 8

MBA Index vs. 10 Year Yield



CONCLUSION

We must ensure that current deficit reduction continues. This will require tough decisions since we can't assume that technical factors and economic growth will play as large a restraining role on the deficit going forward. Our challenge is not only to scale back overall government spending, but also to shift our remaining spending priorities away from consumption-oriented entitlements and toward productive, public investment. This will be one of the strongest actions Congress can take to enhance the growth prospects of the economy and boost standards of living. By increasing private savings and lowering interest rates, investment and productivity will rise, taking average real wages with them. Furthermore, a lessened need for foreign funding will help reduce our current account deficit and stop the net payout of interest service to foreigners. Lastly and most importantly, we will not leave future generations the burden of paying for our excesses.

III. SPENDING AND REVENUES

A. BASELINE ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

This section of the report contains information on the baseline that will be used by the Committee during its deliberations on the 1997 Budget Resolution. Later during the year, these baseline assumptions underlying the budget resolution will be used as the basis for scoring legislative action.

The budget resolution baseline is based largely on the CBO Revised Baseline (April) assuming a freeze on discretionary spending. These baseline estimates include the economic benefits of reaching a balanced budget by 2002 (which is referred to as a post-policy baseline). For more information on the economic assumptions, see the Economics section of this report. Specifically the baseline assumes the following:

Discretionary spending is frozen at either the 1996 enacted or the 9th Continuing Resolution level, adjusted for the incremental budgetary impact of P.L. 104–134, the Omnibus Rescissions and Appropriations Act of 1996.

In addition, the discretionary baseline includes an adjustment to the freeze that would allow current policy funding for Sec. 8 subsidized housing contract renewals. (For a more detailed explanation, see the Function 600 discussion in this report.)

Entitlements and other mandatory spending consist mainly of benefit programs, such as social security, medicare, and medicaid. Spending for those programs is controlled by setting eligibility rules, benefit levels, and other cost factors, rather than voting annually on funding levels. Estimates for these programs assume full funding of current law, including cost-of-living adjustments. A conceptual change has been made in the estimation of administration costs for the direct student loan program. (For a more detailed explanation, see the Function 500 discussion in this report.)

Net interest spending is driven by the size of the annual and cumulative deficits and by interest rates and is not directly affected by Congressional action. Net interest reflects both the interest paid and interest earned by the government and provides the best measure of the costs of federal borrowing

Revenue estimates assume no change in current tax law. Expired provisions, either increasing or decreasing revenues, are not extended in the baseline (i.e., the airline ticket tax).

BASELINE SUMMARY

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Outlays:							
Discretionary:							
Defense	264.5	265.9	264.3	264.7	266.4	261.1	263.0
Nondefense	271.5	273.9	270.8	271.8	270.4	270.2	270.7
Subtotal discretionary	536.0	539.7	535.1	536.6	536.9	531.3	533.7
Mandatory:							
Social Security	348.2	365.4	383.4	402.4	422.4	444.1	466.8
Medicare	196.1	215.5	236.4	257.4	279.5	303.2	328.5
Medicaid	95.8	105.1	115.4	126.4	138.2	151.5	166.4
Welfare programs[1]	85.1	90.3	95.6	111.3	110.3	109.3	118.7
Other	149.3	170.2	180.8	173.7	191.6	197.6	204.6
Subtotal mandatory	874.4	946.5	1,011.7	1,071.2	1,141.9	1,205.6	1,285.1
Offsetting receipts	−75.5	−84.9	−77.3	−76.3	−78.7	−81.2	−84.6
Net interest	239.7	242.2	244.9	245.3	243.7	245.3	248.5
Total outlays	1,574.6	1,643.5	1,714.4	1,776.7	1,843.8	1,901.0	1,982.6
Revenues	1,428.3	1,485.4	1,550.8	1,621.8	1,696.9	1,776.3	1,861.2
Deficits	146.3	158.2	163.6	154.9	146.9	124.8	121.3

[1] Welfare programs include: Food stamps, supplemental security income (SSI), family support, child nutrition, and foster care.

Note.—Details may not add to totals due to rounding.

B. PRESIDENT'S FY 1997 BUDGET

PRESIDENT'S 1997 BUDGET TOTALS (AS ESTIMATED BY CBO)

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Outlays	1,574	1,632	1,700	1,742	1,796	1,831	1,877
Revenues	1,428	1,477	1,549	1,619	1,690	1,775	1,877
Deficit w/o triggers	146	156	153	125	109	89	84
Effect of triggers	....	−1	−2	−2	−2	−33	−84
Deficit with triggers	146	155	152	123	106	56	0

The budget aggregates in President Clinton's 1997 budget present a far different picture over the next six years than did his budget for 1996, in which total annual federal spending was expected to exceed $2 trillion by the turn of the century, producing annual deficits around $300 billion. Now, the latest budget appears to hold spending down to less than $1.9 trillion in 2002, just enough to reach balance in that year. However, the President has to rely on a "trigger" that would reduce overall discretionary spending by $67 billion over 2001 and 2002, without indicating which programs would absorb instant cuts of such magnitude. In addition, the President would need to sunset his proposed tax cuts after 2000. Without these contingencies, the deficit under the President's budget would be $84 billion in 2002.

Entitlement spending

Spending on entitlement programs and other mandatory activities under the President's proposals is expected to grow from $0.9 trillion this year to more than $1.2 trillion in 2002. With these proposed levels, the proportion of total spending accounted for by these programs would increase from 56 percent in 1996 to 65 percent in 2002, giving an indication of how much the President relies on reductions in discretionary spending levels to reach balance.

Federal spending on Medicare will grow 7 percent per year, and Medicaid will grow at an average annual rate of 7.1 percent over the next six years under the President's budget. According to the Medicare trustees,[4] these growth rates are unsustainable in the long run. For Medicare, the President would slow the growth of spending over six years by $117 billion below the baseline. For Medicaid, the President would slow the growth of spending over the same period by $54 billion from the CBO baseline projections. Most of the President's savings would come from reforming the Disproportionate Share Hospital program; less than one-third of the savings would come from slowing the growth of federal Medicaid spending on benefits.

For welfare reform, the President proposes to save $38 billion over the next six years (including $0.9 billion in increased Medicaid spending). From 1997 to 2002, CBO estimates that the major cash and in-kind entitlement programs will cost $608 billion, with an average annual growth rate of 5.4 percent. Under the President's proposal, spending on welfare programs would grow at 4.2 percent per year. The President would repeal the Aid to Families with Dependent Children program and create two new entitlement programs in its place.

Discretionary spending

While amounting to 34 percent of total spending in 1996, discretionary spending under the President's proposed levels would fall to 28 percent of total spending by 2002. Looking at the absolute levels, the President's budget would hold total discretionary outlays at about $4 billion to $8 billion above the 1996 level of $534 billion for each of the next four years. Then, in 2001 and 2002, outlays would decline to less than $530 billion. The President would accomplish this by a "trigger" that would reduce the overall discretionary caps by $67 billion over the last two years to produce a balanced budget in 2002. The budget omits any information would indicate which accounts would bear these reductions, or even how the reductions would be allocated between defense and non-defense activities.

Revenues

The President proposes tax cuts of $97 billion (including a child tax credit, expanded IRAs, and an education tax credit), which are largely offset by extensions of expiring tax provisions and reforms of corporate taxes. Using CBO's economic and technical assumptions, however, the President's budget requires that the tax cuts be

[4] "Summary of the 1995 Annual Report", Medicare Trustees, April 1995.

"de-triggered" after 2000 in order to reach balance in 2002 (yielding a net increase in revenues of $16 billion in 2002).

Other triggers

Besides the revenue and discretionary spending triggers, which combined account for $71 billion of the $84 billion in contingent reductions needed to eliminate the deficit in the budget in 2002, the President requires two other contingencies. The President proposes to accelerate the current plan of the FCC to transition broadcasters from analog television to digital technology, and would auction in 2002 the spectrum that broadcasters would have to return by 2005. Because CBO estimates that this proposal would generate only about $11 billion in receipts, while OMB expects the auction to raise $17 billion, the President proposes that any shortfall less than $17 billion in actual auction receipts be made up by a fee or tax (amounting to $6 billion) that the FCC would charge to broadcasters for use of the spectrum for their digital signal.

In addition, to get to balance, the President would have to rely on policies, further reducing Medicare spending by another $13 billion over the six years, that are not included in his basic Medicare proposal. Combined with additional debt service savings associated with all the President's contingent proposals, these last two triggers produce the remaining $13 billion in savings the President needs to get to a zero deficit in 2002.

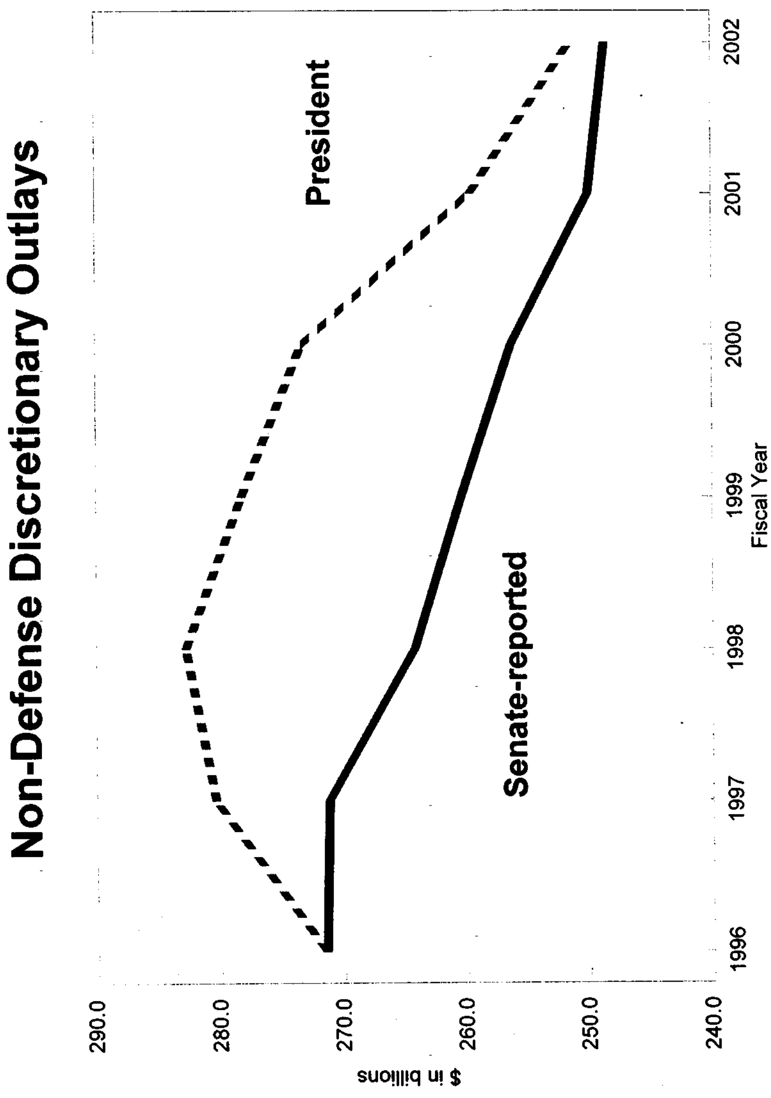
The Impact of the President's discretionary trigger

Under CBO scoring, the President's "discretionary trigger" will be activated in the years 2001 and 2002. This trigger necessitates additional discretionary spending reductions of $27.5 billion in budget authority in 2001 and $49.8 billion in budget authority in 2002.

Although the President's budget specifies account-level detail for all the proposed spending increases in 1997, the reductions from the "discretionary trigger" in 2001 and 2002 are left unspecified. The President's discretionary trigger would apply to non-defense discretionary spending, and would result in a 10.7 percent reduction in aggregate budget authority in 2001 and a 18.3 percent reduction in budget authority in 2002.

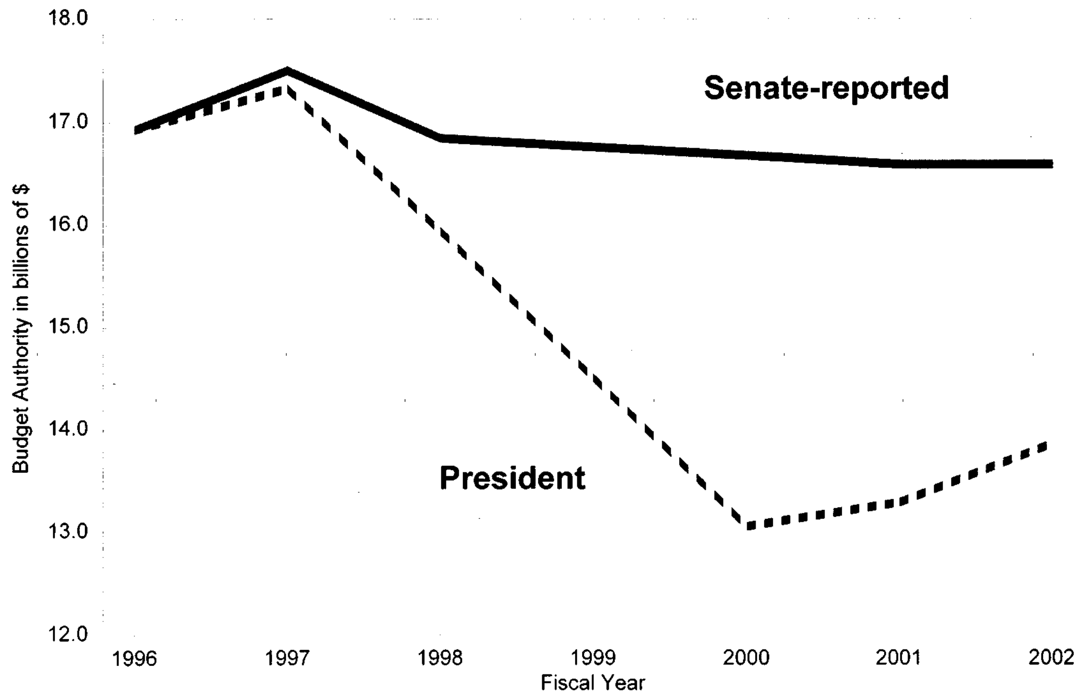
The first graph compares the President's proposed budget for non-defense discretionary spending to the Committee's recommendation. For the President's budget, the graph illustrates that these additional discretionary reductions lead to a non-defense discretionary spending curve that increases in 1997 and 1998, decreases in 1999 and 2000, and plummets in 2001 and 2002.

Lacking further specificity from the President about the application of these additional reductions, the Committee has assumed these reductions would be applied across the board to all non-defense discretionary programs. For various programs, the following graphs compare the spending levels assumed in the Committee recommendation with those in the President's budget, including the effects of an across-the-board application of the President's discretionary trigger.



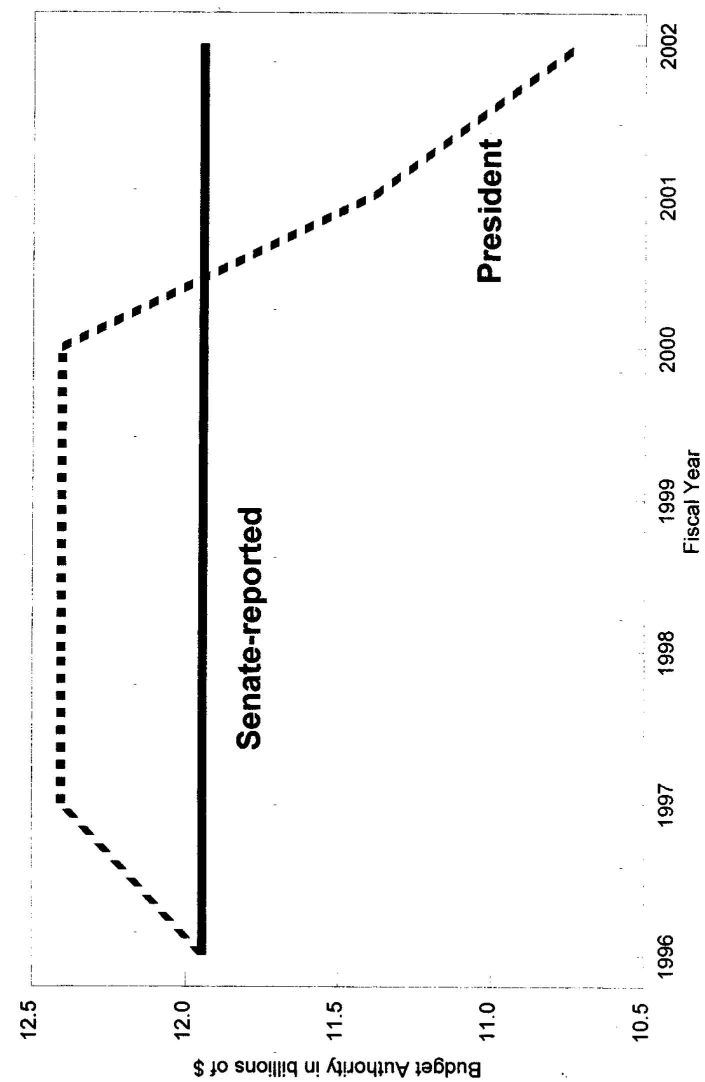
President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).

VA Medical Care and Hospital Services



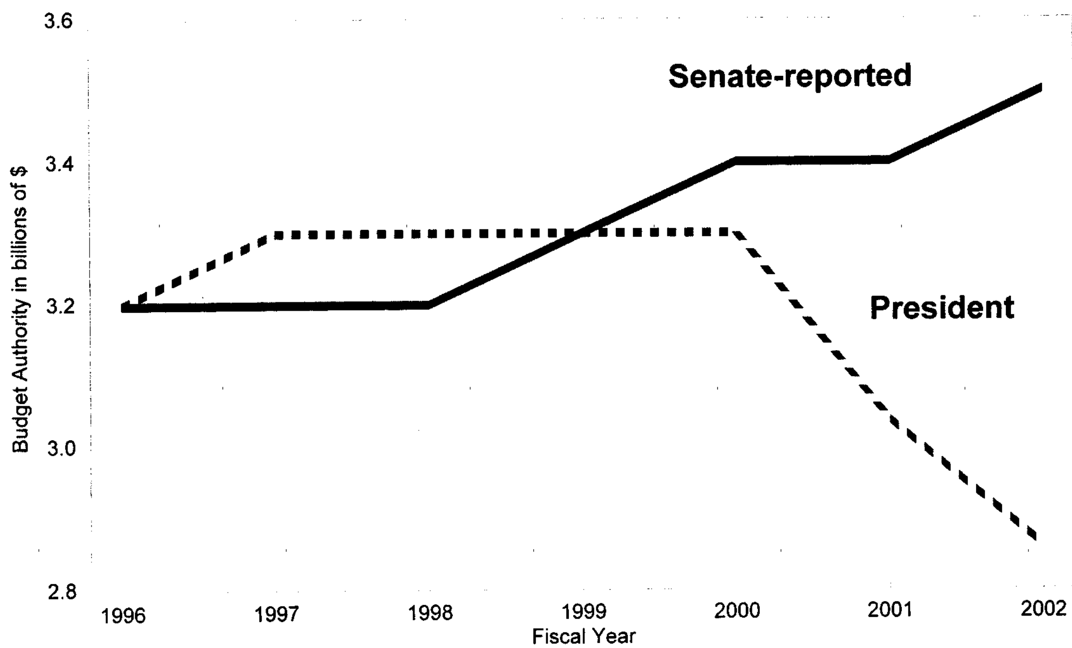
President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).

National Institutes of Health



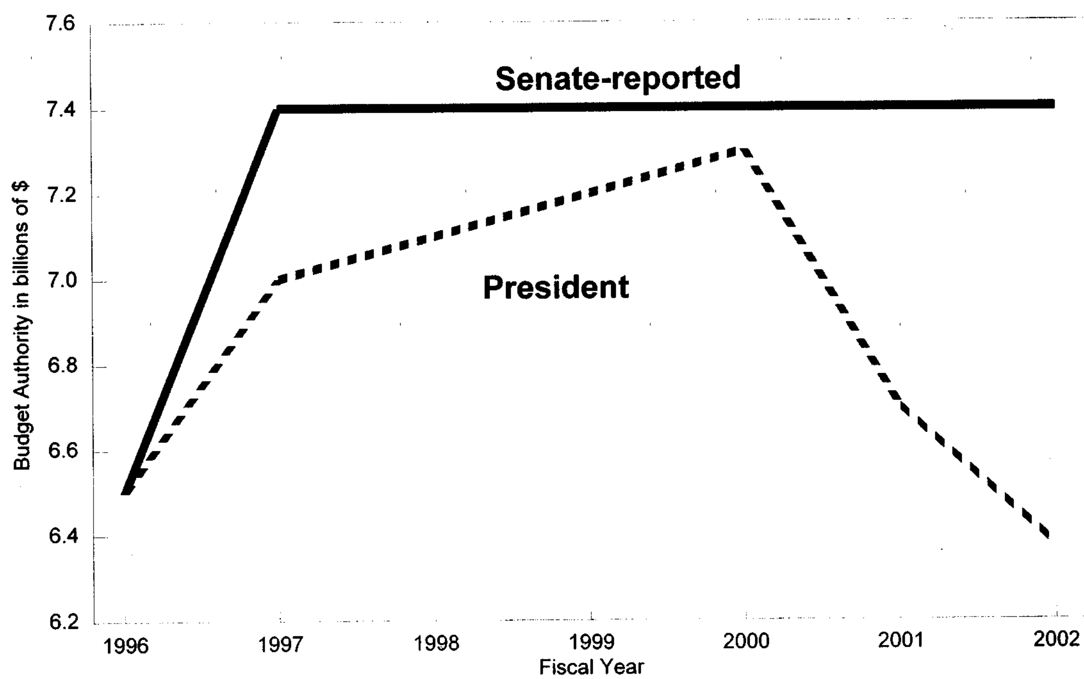
President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).

NATIONAL SCIENCE FOUNDATION



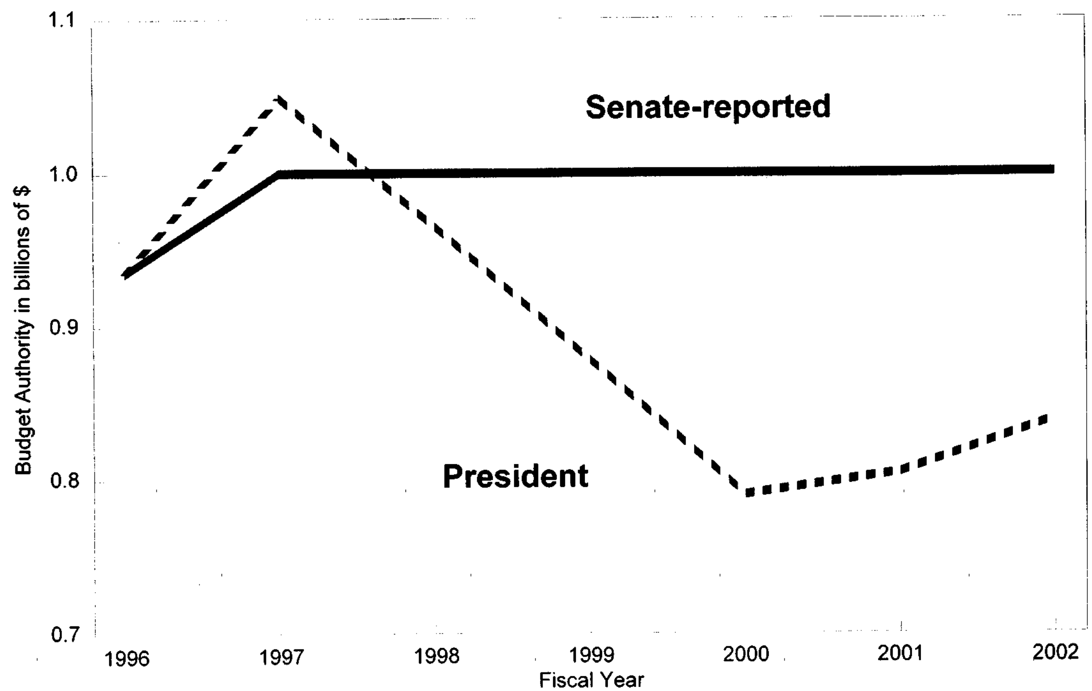
President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).

Environmental Protection Agency



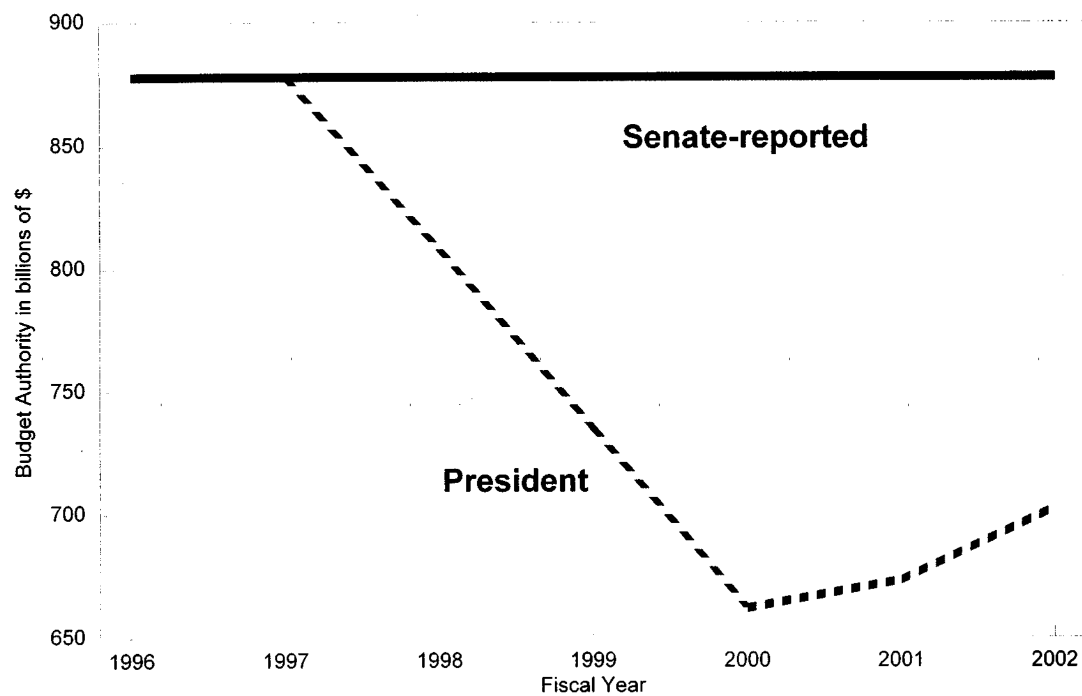
President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).
Senate-reported includes $0.9 billion per year for Superfund reserve fund.

Child Care and Development Block Grant

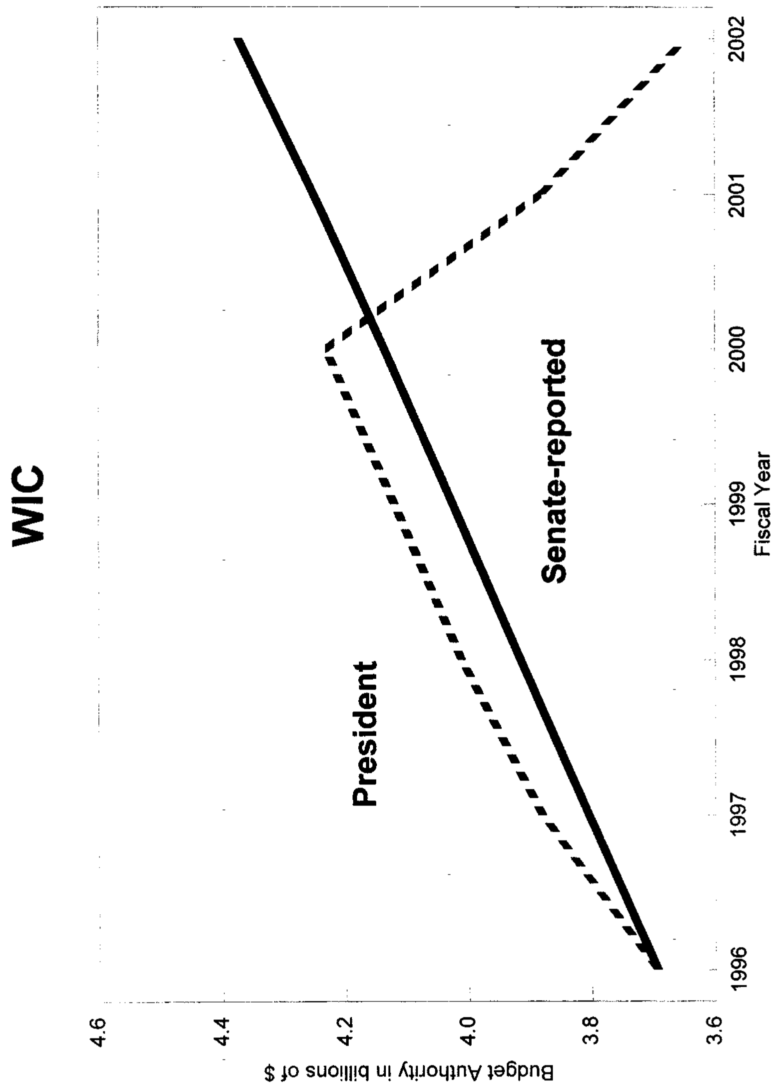


President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).

Food & Drug Administration



President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).



President's budget as re-estimated by the Congressional Budget Office (includes President's discretionary trigger).

C. COMMITTEE RECOMMENDATIONS

SPENDING BY FUNCTION

This section of the report provides details on the Committee's spending recommendations for each of the 20 functional areas of the budget.

Function 050: NATIONAL DEFENSE

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

Function 050 funds the Department of Defense (DoD), Atomic Energy Defense Activities (AEDA) in the Department of Energy (DoE), and some other, minor defense related activities in other agencies. More than 95 percent of the funds in function 050 are for the Department of Defense. About 4 percent of the funds in this function are for AEDA in DOE.

The Committee's recommendation adopts the 050 spending level endorsed by Congress last year in the FY 1996 Concurrent Budget Resolution, with a negative adjustment for revised inflation estimates. In doing so the Committee's recommendation reduces the amount specified by the 1996 resolution by $1.6 billion in budget authority in 1997 and by $14.3 billion in budget authority over the 1997 to 2002 time period. For FY 1997, the Committee's recommendation would set discretionary 050 spending at $266.4 in budget authority and $264.6 in outlays. This is a $11.3 billion increase in budget authority and a $3.0 billion increase in outlays over the President's request for 1997. For the period 1997–2002, the Committee's recommendation amounts to $1,629.3 billion in discretionary budget authority and $1,598.9 billion in discretionary outlays. The President's request would total $1,618.4 billion in discretionary budget authority and $1,587.6 billion in discretionary outlays. The Committee's recommendation increases 050 discretionary spending by $10.9 billion in budget authority and $11.3 in outlays above the President's six year plan. Compared to the baseline the Committee's recommendation increases budget authority in 1997 by $1.2 billion and it reduces outlays in 1997 by $1.3 billion.

For 050, the President has requested $255.1 billion in discretionary budget authority and $261.6 billion in outlays for 1997. The President's request is $10.1 billion in budget authority and $4.3 billion in outlays below the baseline and it is a real 6.0 percent decline from spending in 1996. The request is also 40 percent below 1985's spending level, and it is the twelfth straight year of decline in real terms.

The President has requested $243.5 billion in discretionary budget authority for the Department of Defense (subfunction 051). This is a decrease from 1996 appropriations for 051 of $9.7 billion. Of the six major spending accounts in DoD, two show minor increases (Personnel and Research & Development) and the rest show declines (Operations & Maintenance, Procurement, Military Construction, and Family Housing). The President has requested $11.1 billion in budget authority and $10.8 billion in outlays for the AEDA activities of DoE (subfunction 053). This constitutes increases of $0.4 billion in budget authority and of $0.3 billion in outlays over 1996.

Spending reductions in the President's request are especially evident in weapons procurement; since 1985 this account has been cut from $134.3 billion to $38.9 billion, a 71 percent reduction. Projections of future spending in the procurement budget—and the entire 050 function—show increases starting in 1998. However, last year, Secretary of Defense Perry promised increases in the procurement budget starting in 1997 and the President called for an end to defense cuts; the promised increases did not materialize. In 1996 DoD projected that procurement spending would increase from $39.4 billion to $43.5 billion in 1997—this did not occur. The 1997 request for procurement was $38.9 billion. In his State of the Union address on January 24, 1995, the President said, "The budget I send to Congress draws the line against further defense cuts. * * * We must not cut defense further." However, the overall 1997 request for DoD was almost $3 billion lower than the 1996 request.

Although the Administration states its highest priority is readiness, the 1997 request for Operations and Maintenance, $89.2 billion, is a $4.3 billion reduction. Future readiness budgets in the President's six year plan will barely keep pace with inflation. Given the increased aging of the weapons inventory accepted by the Administration's procurement plan and the resulting additional upkeep costs, it is probable that readiness levels will fall perceptibly.

According to CBO and GAO studies, the President's defense budget does not adequately support the Bottom Up Review force structure plan of 13 active Army and Marine Corps divisions, 346 battle force ships, and 20 active and reserve fighter wings. These CBO and GAO studies and the testimony of the Joint Chiefs of Staff to Congress make it clear that the modernization and force structure objectives of the Administration's Bottom-Up Review are seriously under funded by the President's Future Year Defense Plan (FYDP). Secretary of Defense Perry and DoD's Comptroller have stated that DoD will find funds to better support modernization plans through savings in three areas: procurement reform, base closing, and lower inflation estimates.[5] Many procurement reforms have barely begun; total savings from these and additional future reforms are unclear, and, to date, the amounts needed have not been realized. Net savings from previous base closing decisions have not yet occurred, and according to GAO "There are no significant infrastructure savings to DoD between fiscal years 1996 and 2001. * * *"[6] Finally, according to CBO, only about one-third of the inflation savings projected by the Administration actually exist.

Because of revised inflation estimates, the Committee recommendation contains a negative adjustment from the budget authority and outlay levels approved in last year's budget resolution Conference Agreement. Despite the apparent reduction, the Committee's recommendation retains the same real purchasing power of last year's resolution both for 1997 and for the 1997–2002 plan.

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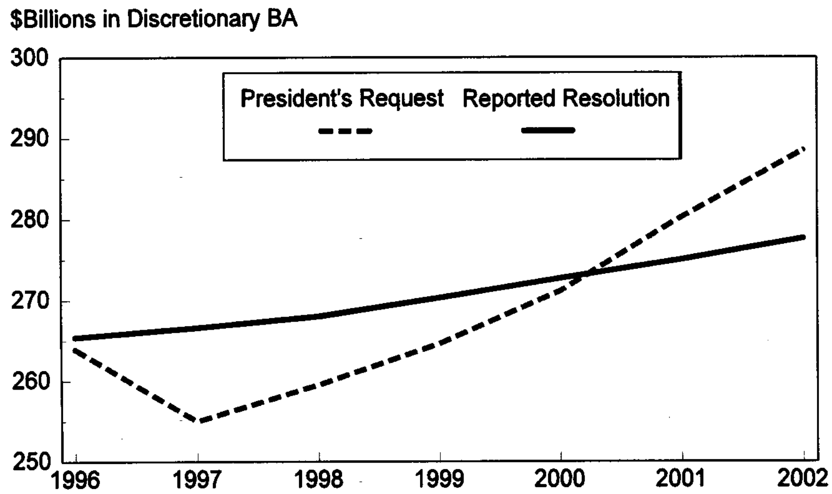
[5] Secretary of defense William J. Perry, March 4, 1996, testimony to Senate Committee on Armed Services. DoD Comptroller John Hamre, March 6, 1996, testimony to the Defense Subcommittee of the Senate Committee on Appropriations.

[6] *Defense Infrastructure: Budget Estimates for 1996–2001 Offer Little Savings for Modernization,* US General Accounting Office, GAO/NSIAD–96–131, April 4, 1996, p. 2.

This is because estimates for inflation for 1997 and the subsequent five years have been adjusted downward since last year. As a result, the lesser dollar figures in the Committee's recommendation will have the same purchasing power as the nominally higher levels adopted last year. CBO calculates the difference in last year's and this year's inflation estimates in discretionary budget authority to be $1.6 billion for FY 1997 and a total of $14.3 billion for the years 1997–2002. In discretionary outlays, CBO calculates the differences to be $1.1 billion in 1997 and $12.1 billion for the years 1997–2002. The Committee recommendation has made this negative adjustment to avoid an undenominated, but real, buying authority increase above the level endorsed by Congress last year in the 1996 Budget Resolution Conference Agreement.

FY1997-2002 REPORTED RESOLUTION
Compared to
President's Request



The Administration also calculated an inflation adjustment. Using significantly more optimistic OMB economic assumptions, DoD calculated an inflation adjustment of $4.3 billion in 1997 and of $45.7 billion for 1997–2002. In an April 23, 1996 letter to the Chairman and Ranking Minority Member of the Budget Committee, CBO stated that "The Administration's calculation is compromised * * * by its use of the price deflator for GDP, which is no longer the featured price measure * * *" and that the deflator employed by the Administration incorporates a "large bias."

In the later years of the two 1997–2002 plans, the relationship between the Committee's recommendation and the President's budget changes. As the graphic below shows, after 1997 and again after the year 2000, the President's plan shows significant increases in the rate of spending while the Committee's recommendation shows 050 spending increasing at a constant rate. Considering last year's promise from Secretary of Defense Perry that 1997 would witness increases in the procurement budget and the President's statement that there would be no further defense cuts—and that the promised increases did not materialize—it can be questioned whether the increases now espoused in the President's plan will actually occur. Moreover, the steady-state nature of the proposed Committee recommendation is a more sustainable spending strategy.

The $11.3 billion increase in discretionary budget authority in 1997 and the similar increases over the total 1997–2002 period will address a significant portion of the under funding in the Administration's plan. The Committee's recommendation assumes increases primarily, but not exclusively, in three major DoD spending accounts: Procurement, Operations & Maintenance (O&M), and Military Construction. The increases in Procurement and O&M are intended to address funding shortfalls in modernization and readiness that have been identified this and last year by CBO, GAO and other studies—in and out of the Department of Defense. The increases in Military Construction are intended to address potential underestimates of environmental clean up costs at defense facilities that are being closed pursuant to Base Realignment and Closure Commission proceedings and other potential increases to the President's request.

This Committee's recommendation also assumes net increases in the AEDA portions of DoE spending. Specifically, it assumes increases in the 053 subfunction commensurate with the assumed increases in the 050 function. Because the 053 subfunction constitutes 4 percent of the total 050 function, the Committee's recommendation assumes an increase of $450 million in discretionary budget authority to the $11.1 requested by the Administration for DoE-AEDA spending.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

National Defense Stockpile Sales. Additional National Defense Stockpile sales are assumed to increase by amounts ranging from $79 million to $166 million per year from 1997 to 2002. The various annual increases in these sales are the same levels as those endorsed last year by the Senate Armed Services Committee for the years 1996 to 2002 during the reconciliation process. Sales assumed last year for 1996 have been redistributed to the years 2001 and 2002. The specific stream of sales assumed in the Committee's recommendation are spread over time and over diverse stockpiles in order to minimize any adverse market impacts.

Function 150: INTERNATIONAL AFFAIRS

Function 150 includes operation of foreign affairs establishments including embassies and other diplomatic missions abroad; sale of U.S. commodities under Food for Peace programs; foreign aid loan and technical assistance activities in the less developed countries; security assistance to foreign governments; foreign military sales made through the Foreign Military Sales Trust Fund; U.S. contributions to international financial institutions; Export-Import Bank activities; and refugee assistance.

The Committee recommendation assumes that funding in 1997 for Function 150 will be $14.2 billion in budget authority and $14.8 billion in outlays. Over the 1997–2002 period, federal spending on international affairs activities would total $75.7 billion in budget authority and $78.4 billion in outlays, a reduction to the baseline of $14.1 billion in budget authority and $11.6 billion in outlays.

MAJOR DISCRETIONARY IN THE COMMITTEE RECOMMENDATION

Discretionary spending in 1997 for Function 150 would be frozen at the 1996 level excluding the Omnibus Consolidated Rescissions and Appropriations Act (OCRA). This level is $18.1 billion in budget authority and $19.2 billion in outlays. Over the 1997–2002 period, discretionary spending on international affairs activities would be $95.0 billion in budget authority and $100.0 billion in outlays, a reduction to the baseline of $14.1 billion in budget authority and $11.6 billion in outlays.

The Committee's recommendation assumes the President's requested cuts through 2002 in programs including the State Department Salaries and Expenses, Diplomatic and Consular Affairs, Acquisition of Buildings Abroad, Migration and Refugee Assistance, USIA Salaries and Expenses, Education and Cultural Exchange Programs, AID Operating Expenses, Sustainable Development, International Finance Corporation, and the European Bank for Reconstruction and Development. These cuts result in savings of $5.9 billion in budget authority and $5.5 billion in outlays over the six year period.

The Committee's recommendation maintains funding in 1997 for export financing and trade promotion programs. The committee recognizes that exports are crucial to the economic health of the United States.

The Committee's recommendation maintains the $200 million annual funding for Bosnia's reconstruction as pledged by the United States through 1998. Assumes other Eastern European countries will graduate from US aid programs by 2000 saving $2.1 billion in budget authority and $1.3 billion in outlays by fiscal year 2002.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes no mandatory changes to the baseline.

Function 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Function 250 includes the National Aeronautics and Space Administration (NASA) civilian space program, the National Science Foundation (NSF), and basic research programs of the Department of Energy (DOE).

Spending for Function 250 would decrease from $16.8 billion in budget authority and $16.6 billion in outlays in 1996 to $15.5 billion in budget authority and outlays in 2002, a reduction of seven percent. Over the 1997–2002 period, federal spending on general science, space and technology activities would be $94.7 billion in budget authority and $95.4 billion in outlays. When Function 250 is compared to spending levels contained in the FY 1996 Concurrent Budget Resolution, total spending increases by nearly $1 billion.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation maintains the 1996 resolution assumptions, for NASA increasing total funding over the President's request through 2000. Funding would be set at $12.3 billion in 1997 and $11.3 billion by 2000. The President's request for NASA would have set funding at $12.5 billion in 1997, but reduced NASA to $10.5 billion in 2000, a reduction of 16 percent. This proposal would save $5.7 billion in BA and $4.6 billion in outlays over 1997–2002.

The Committee's recommendation assumes a three percent annual increase for research and related activities within NSF. Total research and related activities funding would increase from the 1996 level of $2.2 billion to $2.6 billion in 2002. Proposal also assumes the President's reductions to NSF, including the elimination of academic research infrastructure and reductions to salaries and expenses. Proposal would increase NSF by $1.1 billion in budget authority and $0.8 billion in outlays over 1997–2002.

The Committee's recommendation assumes the President's proposed reductions in the outyears for DOE general science programs saves $0.8 billion in BA and $0.6 billion in outlays over 1997–2002.

The committee recognizes the importance of science and research by assuming that science will be a national priority and fully funded while balancing the budget by 2002. The Committee notes that action on appropriations this past year demonstrated Congress' commitment to science. For 1996 enacted appropriations, basic research was increased by 2.3 percent over 1995, while non-defense basic research increased by 2.9 percent.

The Committee believes science and basic research should be a national priority and that any reductions in research and development funding should be directed towards technology efforts that are more appropriately the responsibility of the private sector. The budget resolution makes funding a priority for science programs such as the National Science Foundation (NSF), the National Institutes of Health (NIH), and the science and basic research programs within the Department of Energy.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE'S RECOMMENDATION

There are no mandatory proposals in this function.

Function 270: ENERGY

MAJOR PROGRAMS IN FUNCTION

Function 270 funds the civilian activities of the Department of the Energy (DOE), the Rural Electrification Administration (REA), the Nuclear Regulatory Commission (NRC), and the net spending of the Tennessee Valley Authority (TVA) power program.

The Committee's recommendation would reduce spending by $0.9 billion in BA and $0.2 billion in outlays in 1997 relative to the freeze baseline.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

Over the next six years, the Committee's recommendation provides $26.5 billion in BA and $26.6 billion in outlays for discretionary programs in this Function.

The Committee's recommendation fully funds Department of Energy programs that support science and basic research, such as DOE's efforts to map the human genome.

The Committee's recommendation builds on the President's proposals to reduce funding for the development of energy technologies. The President proposes to eliminate any additional funding for the clean coal technology program and phases in a 37 percent reduction in Department of Energy fossil (coal, natural gas, and petroleum) technology development programs. The Committee's recommendation builds on these proposals and would extend these reductions to DOE's efforts to commercialize other energy technologies.

The Committee's recommendation reduces DOE overhead by $1 billion over the 7 year period. The Committee's recommendation adopts the President's proposal to shift some of DOE's functions from the Departmental Administration account to the DOE's energy supply research and development account. The Committee's recommendation does not, however, adopt the President's $33 million, or 38 percent, increase for the DOE headquarters' budget. The Committee's recommendation also includes reductions in other DOE headquarters functions.

The Committee's recommendation adopts the President's proposals to reduce strategic petroleum reserve (SPRO) operations and maintenance funding. The Committee's recommendation also adopts the President's budget for the Rural Electrification Administration (REA), which provides sufficient resources to fully fund REA lending programs.

The Nuclear Waste Policy Act provided for the disposal of commercial high level nuclear waste generated at civilian nuclear powerplants. Since 1982, the Federal government has collected a fee on nuclear-generated electricity to pay for the cost of the development of a nuclear waste disposal program. This law called on the Federal government to accept this commercial waste in 1998.

Commercial nuclear waste is scattered in temporary storage facilities at over 113 nuclear reactors across the country. At least 26 of these reactors will run out of capacity in 1998, with 80 more running out of capacity in 2010. The Administration's fiscal year 1997 budget fails to provide sufficient resources over the next six years to develop a nuclear waste repository and the Administration has threatened to veto legislation that authorizes an interim storage facility. The result is that the Administration has no realistic plans to address the problem of nuclear waste.

The Committee does not support taking the nuclear waste trust fund off-budget, but believes nuclear waste funding should be addressed as part of an effort to reform this program and meet the Federal government's commitment to provide for the safe and environmentally-sound storage and disposal of nuclear waste.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE'S RECOMMENDATION

The Committee recommendation adopts a proposal in the BBA and the President's budget that authorizes DOE to lease excess SPRO storage capacity. SPRO will hold 575 million barrels of oil after completion of some recent oil sales and has a total capacity of 750 million barrels.

The Committee recommendation adopts a proposal from the BBA and the President's budget request that would extend the requirement through 2002 for the NRC to collect 100 percent of its budget from fees assessed on the nuclear powerplants that it regulates.

Function 300: NATURAL RESOURCES AND ENVIRONMENT

MAJOR PROGRAMS IN FUNCTION

Function 300 includes funding for water resources, conservation and land management, recreational resources and pollution control and abatement. Agencies with major programs in this function include: the Army Corp of Engineers, Bureau of Reclamation, Forest Service, Bureau of Land Management, Fish and Wildlife Service, the National Park Service, Environmental Protection Agency, National Oceanic and Atmospheric Administration, and the U.S. Geological Survey.

Budget authority in Function 300 would decrease from $21.4 billion in 1996 to $20.3 billion in 1997 while outlays would decrease from $21.8 billion in 1996 to 21.4 billion in 1997. The resolution includes a reserve fund for superfund reform which provides an additional $5.4 billion over six years if the program is reformed and the superfund taxes are extended. Over the 1997-2002 period, including the increase in superfund, federal spending on natural resources and environment would be $123.8 billion in budget authority and $126.0 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes $6.5 billion, an increase of $0.8 billion from the freeze baseline for the superfund, safe drinking water, and operating and environmental enforcement programs of the Environmental Protection Agency (EPA). The total funding level for EPA is essentially at the level provided in Omnibus Consolidated Rescissions and Appropriations Act (OCRA). The superfund reserve fund would provide EPA with an additional $5.4 billion over the 6 year period. Over six years EPA would spend over $44 billion to protect and clean our nation's environment.

The National Park Service (NPS) would continue to spend $6.6 billion over the next six years to operate our National Parks. The Committee's recommendation assumes full funding of the NPS operations.

The Committee's recommendation assumes the elimination of duplicate programs, such as the Agriculture Conservation Program and the Colorado Salinity Control Program. The Federal Agriculture Improvement and Reform Act of 1996 funds these programs though a new mandatory Environmental Quality Incentives Program. The Committee's recommendation also assumes President's proposal to eliminate funding for the international forestry program.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes the privatization of activities that can be more efficiently managed by non-federal entities and increase fees for the use of Federal resources. Many of the initiatives were included in the vetoed Balanced Budget Act and are also included in the President's budget. The major assumptions include:

The Committee's recommendation ends the Federal government's processing and storage of helium, privatizes helium facilities, and sells remaining helium stockpiles over time. The Committee's recommendation also assumes a reduction in Federal royalties in new oil and gas leases in water depths of more than 200 meters in the Gulf Coast outer continental shelf. These proposals save $0.1 billion over six years.

The Committee's recommendation authorizes the refinancing of outstanding debt owed by the Central Utah Water Conservancy District which saves $0.2 billion over six years.

Function 350: AGRICULTURE

MAJOR PROGRAMS IN FUNCTION

Function 350 includes programs that promote the economic stability in the agriculture sector. Programs in this function include direct assistance and loans to food and fiber producers, market information and agriculture research. Producers are assisted with transition payments, crop insurance, non-recourse crop loans, operating loans and export promotion.

Spending for Function 350 would decrease from $12.7 billion in budget authority in 1996 to $12.5 in 1997 while outlays remain relatively constant at $10.8 billion. Over the 1997-2002 period federal spending on agriculture would be $69.4 billion in budget authority and $58.4 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

Farm and other mandatory programs underwent dramatic reforms with the enactment of the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127). The resources necessary to administer farm programs should decline over time due to a variety of reforms contained in the new farm bill. These changes should allow downsizing and consolidation with the Department of Agriculture's Farm Service Agency (FSA) which administers the commodity programs. The Committee's recommendation assumes the administrative efficiency reductions included in the President's budget and similar reductions for the FSA. This assumption saves $0.6 billion over six years.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The 1996 farm bill made several reforms which add planting flexibility, fiscal spending constraints, and an opportunity for farmers to earn a living from the marketplace. The farm bill also saved $2.1 billion over 1996-2002. The farm bill includes seven year savings of $4.6 billion from farm and trade programs, spending increases of $2.0 billion for environment and conservation, and spending increases of $0.4 billion for rural development and other miscellaneous programs. *The Committee's recommendation does not include further reductions for the commodity programs.* However, the Committee's recommendation does assume the President's $0.2 billion in user fee proposals for the Animal Plant Health Inspection Service, Grain Inspection Standardization and Packers and Stockyards, and the Agriculture Marketing Service.

Function 370: COMMERCE AND HOUSING CREDIT

MAJOR PROGRAMS IN FUNCTIONS

Function 370 includes certain discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the periodic census, and small business; and mandatory spending for deposit insurance activities related to banks, thrifts, and credit unions.

Budget authority in Function 370 would decrease from $11.9 billion in 1996 to $8.8 billion in 1997, while outlays would increase from −$7.1 billion in 1996 to −$2.0 billion in 1997. Over the 1997–2002 period, federal spending on commerce and housing credit activities would be $76.8 billion in budget authority and $32.6 billion in outlays, which is $2.6 billion less in budget authority and

$3.3 billion less in outlays than the level of spending under the freeze baseline.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes additional funding of $3.1 billion above the freeze baseline over the next six years to pay for the costs of conducting the decennial census, similar to the President's budget.

The President's request would reduce funding for certain administrative accounts, and eliminate appropriations for certain expired activities, both of which are reflected in the Committee's recommendation.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes enactment of provisions of the vetoed BBA that the President has also included in his budget request.

Function 400: TRANSPORTATION

MAJOR PROGRAMS IN FUNCTION

Function 400 includes ground transportation programs, such as the federal-aid highway program, mass transit operating and capital assistance, rail transportation through AMTRAK and other rail programs; air transportation through the Federal Aviation Administration (FAA) Airport Improvement Program (AIP), aviation facilities and equipment programs, and operation of the air traffic control system; water transportation through the Coast Guard and the Maritime Administration; and related transportation support activities.

Function 400 budget authority will continue to increase, growing from its 1996 level of $36.7 billion to $44.0 billion in 2002. Only eight percent of the function consists of mandatory outlays, therefore discretionary outlays determine almost all of Function 400 spending. Function 400 outlays will decrease from its current level of $39.3 billion in 1996 to $33.2 billion in 2002.

Over the 1997–2002 period, federal spending on transportation activities would be $259.8 billion in budget authority and $212.3 billion in outlays. When total spending levels are compared to assumptions contained in the 1996 Concurrent Budget Resolution, total spending increases by $3.7 billion in budget authority and $6.4 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTION IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes discretionary spending levels of $12.7 billion in budget authority and $36.1 billion in outlays, a reduction of $1.0 billion in budget authority and $0.4 billion in outlays from the 1996 level. Spending would decline to $10.4 billion in budget authority and $31.6 billion in outlays in 2002. The

Committee's recommendation assumes the following major policy options to achieve the recommended funding levels:

The Committee's recommendation continues the phase-out of federal funding for operating assistance to Amtrak and mass transit.

As requested by the President, reduce FAA Facilities and Equipment program from its current level of $1.9 billion to the President's proposed level of $1.8 billion in 1997. This level of funding would be maintained through 2002.

As requested by the President, reduce USDOT Office of the Secretary, general fund Rental Payments, and Inspector General funding in the outyears.

Reduce Federal Transit Administration (FTA) Section 3 Discretionary grants in the outyears, as requested in the President's budget.

The Committee's recommendation also assumes continued efforts for alternative financing of transportation improvements and infrastructure over the next six years. With the 1997 reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), and the reauthorization of the Airport Improvement Program (AIP) this year, efforts will be made to find innovative financing mechanisms to meet our future transportation needs while eliminating the federal deficit by 2002.

The Committee commends the Coast Guard for its streamlining efforts. The Coast Guard's fiscal year 1997 budget submission includes over $54 million in reductions and keeps the agency on track to save $400 million and reduce its workforce by over 4,000 (about 10 percent) personnel by fiscal year 1998—all without reducing services to the public. The Coast Guard is a model on how to provide better government at less cost.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes mandatory spending levels of $28.8 billion in budget authority and $2.6 billion in outlays in 1996. The Committee's recommendation assumes the following major policy options to achieve the recommended funding levels:

As assumed in the BBA, the Committee's recommendation extends vessel tonnage fees, scheduled to expire on October 1, 1998.

As assumed in the BBA, the Committee's recommendation extends emergency preparedness fees, scheduled to expire on October 1, 1998.

The Committee's recommendation also assumes the termination of 1997 ISTEA Highway Demonstration projects. This assumption would rescind contract authority and outlays for the final installment of highway demonstration projects under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

MAJOR PROGRAMS IN FUNCTION

Function 450 includes funding for community and regional development and disaster relief. The major programs are administered through a variety of agencies including the Department of Housing and Urban Development, Appalachian Regional Commission, Tennessee Valley Authority, Economic Development Administration, Bureau of Indian Affairs, Federal Emergency Management Agency, and the Department of Agriculture.

Spending for Function 450 would decrease from $11.1 billion in budget authority and outlays in 1996 to $8.4 billion in budget authority and $10.7 billion in outlays in 1997. Over the 1997–2002 period federal spending on community and regional development would be $41.8 billion in budget authority and $51.4 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The baseline includes $3.4 billion in emergency supplemental funding for disaster relief and loans for 1996 which was provided in 1995 supplementals. Under CBO's standard baseline methodology for discretionary programs, the $3.4 billion in emergency funds is continued in the baseline for each year 1997 through 2002. The Omnibus Consolidated Rescissions and Appropriations Act for 1996 included a rescission of $1.1 billion to offset increased spending. The Committee's recommendation includes $1.5 billion in 1997 for FEMA disaster relief. The Committee's recommendation directs that these funds be allocated only for FEMA disaster relief. For 1998 to 2002, the Committee's recommendation assumes the President's funding level of $320 million for disaster relief.

The Committee's recommendation assumes a $0.1 billion increase for operation of Indian programs which funds basic reservation programs such as law enforcement, child protection, welfare assistance, and housing.

The Committee acknowledges the unique trust relationship between the U.S. Government and the nation's Indian Tribes and Pueblos. The Committee recommendation assumes a $0.1 billion increase for the operation of Indian programs administered by the Bureau of Indian Affairs, which funds basic reservation programs such as law enforcement, child protection, welfare assistance, and housing.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE ASSUMPTION

The Committee's recommendation assumes the President's proposal to reauthorize FEMA's assessments on Nuclear Regulatory Commission licensees to cover 100 percent of the cost of providing site-specific services that directly contribute to the fulfillment of emergency preparedness requirements. This proposal saves $0.1 billion over six years.

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

MAJOR PROGRAMS IN FUNCTION

Function 500 includes those activities designed to promote the acquisition of knowledge and skills, to provide social services for needy individuals, and for research directly related to these program areas. In general, the activities funded by this function are administered through the Departments of Labor, Health and Human Services, and Education.

Under the Committee's recommendation, total funding under this function is expected to grow from $47.8 billion in budget authority and $50.6 billion in outlays in 1996 to $52.6 billion in budget authority and $51.7 billion in outlays in 2002. Total spending over the six year period under the Committee's recommendation in this function would be $304 billion in budget authority and $301.7 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

For discretionary spending, the Committee's recommendation will accommodate increased spending under OCRA. Additionally, the Committee's recommendation proposes an increase in discretionary spending of $3.1 billion in budget authority and $1.5 billion in outlays over the next six years.

An additional $4.4 billion in budget authority and $4.2 billion in outlays is provided in the Committee's recommendation compared to the baseline level for six years.

The Committee acknowledges the unique trust relationship between the U.S. Government and the nation's Indian Tribes and Pueblos. The Committee recommendation assumes that education programs serving Native Americans, including those administered through the Office of Indian Education, will be given priority for increased resources in 1997.

The 1992 Adult Literacy Survey indicated that nearly 50 percent of our nation's adults have only basic skill levels or below. Because this means that millions of Americans are only marginally literate and therefore at risk of being unemployed in our skilled and competitive workplace, the funding needs of programs addressing adult and continuing education should be carefully considered.

The Committee urges that before any legislative action is taken that would result in an increase in the cost to students and their families of federal-assisted loans or loan guarantees for college, more innovative and aggressive procedures should be employed to collect unpaid student loans. Such actions should include, but are not limited to, the expanded seizure of tax rebates by the Internal Revenue Service, garnishment of income, and an increased use of, and coordination with, private collection agencies to ensure to the greatest extent possible that all efforts have been made to obtain repayment of delinquent loans for education.

With respect to fiscal year 1997 funding, the Committee concurs with the intent of the appropriations conferees on H.R. 3119 to provide all funding for Title I for the 1997–1998 school year through the appropriation of fiscal year 1997 funds in the Fiscal Year 1997 Labor, Health, and Human Services, and Education and Related Agencies bill. The Committee concurs with the conferees' intent to work toward a fiscal year 1997 section 602(b) suballocation such that Title I can be returned to a normal appropriations and obligation pattern.

MAJOR MANDATORY ASSUMPTION IN THE COMMITTEE RECOMMENDATION

For mandatory spending, the Committee's recommendation assumes total spending $92.3 billion in budget authority and $90.2 billion in outlays over the next six years, $3.4 billion in budget authority and $3.1 billion in outlays less than the baseline level, over the next six years.

In general, as was the case last year's BBA, no assumption contained in this budget resolution will increase costs for students or limit access to student loans. Major assumptions include:

Change the phase-in of the direct loan program from 50% to 20% for academic year 1996 and beyond. By law direct loans were to increase as a percentage of all student loans from 50% in academic year 1996–1997 to 60% in the 1998–1999 academic year. Last year's budget resolution assumed a 10% cap. This proposal would save $280 million over six years.

Eliminate the federal subsidy to schools (and alternate originators) for a direct loan origination fee. This fee is set at $10 for school originators for academic year 1994–1995 and is assumed to be adjusted by the Secretary in the outyears. It is set by contract for alternate originators. This proposal would save $475 million over six years. The President also proposed.

Require that borrowers in the guaranteed loan program have same repayment options as those in the direct loan program. Currently, direct loan borrowers have more flexibility to choose graduated, extended-term, and income-contingent repayment options. Under the proposal, the income-contingent option would be at the discretion of the lender, however, borrowers could obtain an income contingent loan through loan consolidation if necessary. This proposal would cost $150 million over six years.

Increase the time before guarantee agencies may file for reinsurance to 360 days. This proposal would keep the time before lenders may file for an insurance claim at 180 days from delinquency. However, it would increase the time before guarantee agencies may file for reinsurance from the federal government from 180 days to 360 days from delinquency. Guaranty agencies would be required to use their reserve funds to purchase and hold these defaulted loans. This proposal would save $1.1 billion over six years.

Reduce guarantee agency default collection retention allowance for 27% to 18.5%. This percentage is based on the amount of loans in default, collected by the guarantee agency. This provision would save less than $500,000 over six years. The President also proposed.

Reduce the federal reinsurance on all loans including those insured by guarantee agencies with exceptional performance from 98%/88%/78% to 96/86%/76% except exclude those made as lender-of-last-resort. This proposal would save $165 million over six years. The President also proposed.

Reduce the loan guarantee on all loans including loans made by lenders with exceptional performance, except exclude loans made as lender-of-last-resort from 98% to 95%. This proposal would save $240 million over seven years. The President also proposed.

Function 550: HEALTH

MAJOR PROGRAMS IN FUNCTION

Function 550 includes all health spending except that for Medicare, military health, and veterans' health. The major programs include Medicaid, health benefits for federal retirees, the Food and Drug Administration, the Health Resources and Services Administration, Indian Health Services, the Centers for Disease Control and Prevention, the National Institutes of Health, and the Substance Abuse and Mental Health Services Administration.

Under the Committee's recommendation, total funding under this function is expected to grow from $110.6 billion in budget authority and $123.0 billion in outlays in 1996 to $167.3 billion in budget authority and $166.2 billion in outlays in 2002. This is a $43.2 billion increase in outlays, a 35 percent increase.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The 1996 budget resolution conference report assumed NIH funding would be $11.20 billion in 1996. That resolution assumed the level would be $10.98 billion for each year from 1997 through 2002. The 1996 appropriations process increased funding by $620 million, a 5.5 percent increase, to $11.95 billion in budget authority for 1997. This year's Committee's recommendation assumes NIH budget authority will be held constant at the 1996 level ($11.95 billion BA) through 2002. This is almost $1 billion per year (8.8 percent) more than was assumed in last year's budget resolution for a total of $6.54 billion more spending than was assumed last year.

The Agency for Health Care Policy and Research (AHCPR) performs three functions: (1) research on health care systems cost and access, (2) research on health care outcomes, including clinical practice guidelines, and (3) health expenditures surveys. Direct budget authority for AHCPR in the baseline is $77 million; an additional $50 million is transferred to AHCPR from the Public Health Service and medicare. The Committee's recommendation assumes termination of AHCPR, except health expenditures surveys, which are assumed to be fully funded at $49 million. This option would save $69 million in discretionary budget authority in 1997 and over $400 million over the period 1997–2002.

The Committee acknowledges the unique trust relationship between the U.S. Government and the nation's Indian Tribes and Pueblos. The Committee recommendation assumes that the critical health services and health facilities (especially sanitation) programs of the Indian Health Service will be given priority for increased resources in 1997.

Nationwide 2,400 local health center service sites deliver primary and preventive care to more than 9 million people in all fifty states. There is an additional 20 percent of the current health care enrollment nationwide that is now waiting to be served. Because health centers fill a critical void in access to care, their funding needs should be carefully considered in order to ensure greater access to health care in this country.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes implementation of a bipartisan Medicaid reform plan provided by 48 governors in early February. Under this assumption, federal Medicaid spending would increase from $95.7 billion in 1996 to $139.5 billion in 2002, a $43.8 billion (46 percent) increase. Federal Medicaid spending over the period 1996–2002 would total $827.1 billion. This is $35.8 billion more spending over this period than contained in the Balanced Budget Act of 1995, and $54.0 billion more spending than contained in last year's budget resolution. This option would save $72.0 billion over the period 1997–2002.

Function 570: MEDICARE

MAJOR PROGRAMS IN FUNCTION

Function 570 includes only the medicare program. Medicare pays for medical services for 37.6 million senior and disabled citizens, and for those with End Stage Renal Disease. Medicare is administered by the Health Care Financing Administration, part of the Department of Health and Human Services.

Under the Committee's recommendation, total Function 570 outlays are expected to grow from $181.2 billion in budget authority and $179.1 billion in outlays in 1996 to $253.5 billion in budget authority and $251.1 billion in outlays in 2002. This is a $72.0 billion increase in outlays, a 40 percent increase. Total mandatory Medicare spending (not including premium receipts) is expected to grow from $196.1 billion in 1996 to $279.1 billion in 2002, a $83 billion (42 percent) increase. Medicare spending per beneficiary was about $4,800 last year; this year it is just over $5,300. Medicare spending per beneficiary under the Committee's recommendation would grow to about $7,000 in 2002.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes discretionary savings equal to those in the President's budget.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes Medicare reforms which extend the solvency of the Hospital Insurance Trust Fund for at least a decade. The Committee's recommendation assumes that these savings will be achieved through real reforms, not through budgetary gimmicks which transfer spending or savings from one part of Medicare to another. To extend the life of the Hospital Insurance Trust Fund for a decade, the following savings stream is assumed:

Medicare part A outlay savings relative to CBO baseline

[In billions of dollars]

1997	−5
1998	−10
1999	−16

2000	−23
2001	−30
2002	−39
2003	−48
2004	−58
2005	−69
2006	−81

Savings over the six-year period 1997–2002 for this stream are $123 billion.

The Committee's recommendation assumes Medicare reforms which produce the same level of savings as the part B reforms in the President's budget ($44.1 billion).

Function 600: INCOME SECURITY

MAJOR PROGRAMS IN FUNCTION

Function 600 Income Security funds a broad range of programs including federal retirement programs, the major cash and in-kind welfare programs, housing programs and nutrition programs. These programs are administered by several agencies and departments including the Department of Health and Human Services, the Office of Personnel Management, the Social Security Administration and the Department of Housing and Urban Development.

Spending for Function 600 would increase from $219.3 billion in budget authority and $228.9 billion in outlays in 1996 to $232.0 billion in budget authority and $240.1 billion in outlays in 1997, a 5.8 percent increase in budget authority. Spending will rise faster than inflation at an average annual rate of 3.7 percent, with total federal spending on income security programs over the 1997–2002 period of $1,531.8 billion in budget authority and $1,552.4 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The baseline for this function departs from a strict freeze baseline for the following reasons: Large numbers of assisted housing contracts (section 8) will be expiring over the next six years. Not renewing the contracts would mean people would no longer receive this housing assistance, but a strict freeze baseline would not include sufficient funds to accommodate renewal of all expiring contracts. According to CBO, adding $54 billion in budget authority and $45 billion in outlays to the strict freeze baseline over the next six years would provide sufficient resources to renew contracts at market rents. This action would be consistent with the estimated losses assumed to occur in the mandatory baseline for the Federal Housing Administration because of marking down the rents of federally insured assisted housing projects.

The WIC program provides at-risk pregnant and post partum women infants and children with nutritional assistance, nutrition education and counseling and health and immunization referrals. This proposal would increase WIC spending by $111 million over the 1997 level, with $2.3 billion in additional funding over the period of 1997–2002. The Committee's recommendation assumes total funding over the next six years will be $24.5 billion

Spending on the Child Care and Development Block Grant would total $1 billion in 1997, an increase of $65 million, with total funding of $6 billion over the period of 1997–2002.

These two options, taken from the President's budget, would save $0.1 billion over 1997–2002.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation adopts the recommendation of the National Governor's Association and devolves authority and power over welfare spending to States by creating two block grants to states, one for cash benefits and job training and the other for child care. Restricts Supplemental Security Income (SSI) and Food Stamp benefits for certain legal immigrants. Creates a new definition of childhood disability and reforms the SSI program to focus resources on the more severely disabled children. Reforms the Child Support Enforcement program to increase collections to aid families leaving welfare and prevent others from starting welfare receipt. Reforms the Food Stamp and Child Nutrition programs to slow the rate of growth in spending.

The Earned Income Tax Credit provides low-income workers a refundable tax credit to offset payroll taxes and lift minimum wage workers over poverty. This proposal would coordinate the new $500 tax credit with the EITC by phasing out the EITC as the child credit is phased in. EITC outlays will total $121.4 billion over the next six years, only $11 billion less than under current law. Workers without children would no longer be eligible for the credit. Undocumented workers would no longer be eligible for the credit and other fraud abuse would be curbed.

The Committee's recommendation assumes conforming Congressional pension rules with the rules that apply to all other federal workers, saving under $.5 million in 1997 and $9 million over the period 1997 through 2002.

The Committee's recommendation assumes adoption of the President's proposals to continue paying civilian retirees their annual cost-of-living adjustment (COLA) in April through the year 2002, saving $0.3 billion in 1997 and $2.0 billion over the period 1997 through 2002.

The Committee's recommendation assumes increasing the federal agency and employee contributions to the retirement programs, as provided in the BBA, saving $0.6 billion in 1997 and $6.0 billion over the period 1997 through 2002. The increased agency contributions are assumed in the Function 950 totals, and the increased employee contributions are assumed in revenues.

This option would reduce by 1 percentage point the amount of the annual adjustment factor paid to landlords of section 8 certificate contracts when the tenant stays in the unit at the end of the year. When a unit is not vacated, then the landlord does not incur any transitional costs, and so does not need any adjustment to cover such costs. Saves $1 billion over 1997–2002, and is assumed in President's budget.

Under current law, owners of rental housing projects receive increased payments each year to cover the costs of inflation under contracts with HUD. This option would limit this annual adjustment factor to cover rent increases that are attributable to the effect of inflation on the operating costs, if the rent on those units is greater than the local fair Committee's recommendationed rent. Landlords would no longer receive inflation adjustments for the portion of their costs attributable to debt service (which remains unchanged from year to year), but tenants would not be affected. Saves $0.8 billion over the period, and is assumed in President's budget.

Function 650: SOCIAL SECURITY

MAJOR PROGRAMS IN FUNCTION

Function 650 consists of the Social Security program, or old-age, survivors, and disability insurance (OASDI). Social Security is the largest entitlement program provided by the federal government. Benefits are paid from the Social Security trust funds and financed by payroll taxes. For purposes of the Budget Enforcement Act, the Social Security trust funds are off-budget and do not count toward deficit projections. However, the administrative expenses of the Social Security Administration (SSA) are on-budget and remain within the caps on discretionary spending.

Spending for Function 650 would increase from $354.6 billion in budget authority and $351.3 billion in outlays in 1996 to $372.5 billion in budget authority and $368.1 billion in outlays in 1997, a 5.0 percent increase in budget authority and a 4.8 percent increase in outlays. Over the 1997–2002 period, federal spending on Social Security would be $2,534.8 billion in budget authority and $2,500.7 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes no change relative to the budget resolution baseline level in Function 650. Current law, however, provides for an adjustment to the discretionary caps to accommodate additional administrative funding to process Continuing Disability Reviews (CDRs). In 1997, the adjustment can be as much as $160 million in outlays, and over the period 1997 to 2002, the adjustment can total $2.6 billion in outlays. The additional CDRs processed by SSA are estimated to save $3.5 billion in mandatory outlays over the period 1997 to 2002. The additional discretionary funds and the mandatory savings are assumed in Function 600.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes no changes in Social Security benefits.

Function 750: ADMINISTRATION OF JUSTICE

MAJOR PROGRAMS IN FUNCTION

Function 750 includes funding for federal law enforcement activities, including criminal investigations by the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA), border enforcement and the control of illegal immigration by the Customs Service and Immigration and Naturalization Service (INS), as well as funding for prison construction, drug treatment, crime prevention programs and the federal Judiciary.

Spending for Function 750 would increase from $21.0 billion in budget authority and $17.7 billion in outlays in 1996 to $21.7 billion in budget authority and $20.6 billion in outlays in 1997, a three percent increase in budget authority and a 16 percent increase in outlays. Over the 1997–2002 period, federal spending for the administration of justice would be $130.3 billion in budget authority and $127.2 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Violent Crime Reduction Trust Fund provides resources for law enforcement programs enacted under the 1994 Crime Bill. To step up the federal fight against violent crime, the 1997 Committee's recommendation again assumes full funding for these programs. The Committee's recommendation assumes $5 billion in 1997 and over $29 billion through the year 2002 for the Crime Trust Fund. Last year's Senate Republican budget resolution and the President's 1997 budget also assume full funding for the Trust Fund.

The 1997 Committee's recommendation proposes the elimination of the political appointment process for U.S. Marshals and the promotion of professionally trained deputy marshals to the positions of U.S. Marshall. The Committee's recommendation assumes $5 million in budget authority and outlay savings in 1997 and $30 million through the year 2002. Vice President Gore's National Performance Review and the 1996 House Budget resolution both proposed this reform.

The Community Relations Service mediates community disputes between ethnic and racial groups. Part of its responsibilities for Haitian and Cuban refugee assistance has been transferred to the INS, and its remaining focus is best handled by state and local agencies and nongovernment institutions. The Committee's recommendation assumes $5 million in savings in 1997 and $30 million through 2002 from the elimination of the program. The 1996 Senate and House Budget resolutions proposed this elimination.

The State Justice Institute funds research and demonstration projects and provides information to states about the administration of justice. The Institute provides no actual services and has not improved the administration of justice at any level. The Committee's recommendation assumes $5 million in savings in 1997 and $30 million through 2002. The 1996 House and Senate Budget resolutions both proposed elimination of the institute.

The Associate Attorney General is an unnecessary, presidentially-appointed position which is not part of the formal Justice Department structure. It creates an additional level of bureaucracy unnecessary for the implementation of Justice Department policy. The Committee's recommendation assumes $2 million in 1997 and $12 million in savings through the year 2002. The 1996 House budget resolution assumed the elimination of this office.

The Committee notes that teenage drug use is on the increase after years of decline. It is important that Congress take the steps necessary to support effective, well-designed programs aimed at protecting future generations from drug use and addiction. This must involve focused strategies supported by adequate policy and funding. The Committee supports programs that sustain individual responsibility, support families, and that lead to effective interdiction, prevention, law enforcement, and treatment efforts that meet measurable standards of accountability.

The Committee notes the importance of providing adequate funding for federal law enforcement agencies responsible for the control of illegal immigration and drugs, particularly the Customs Service, the Immigration and Naturalization Service and the Drug Enforcement Administration.

Function 800: GENERAL GOVERNMENT

MAJOR PROGRAMS IN FUNCTION

Function 800 consists of the activities of the Legislative Branch, the Executive Office of the President, U.S. Treasury fiscal operations (including the Internal Revenue Service), personnel and property management, and general purpose fiscal assistance to states, localities, and U.S. territories.

Spending for Function 800 would increase from $12.5 billion in budget authority and $12.6 billion in outlays in 1996 to $13.8 billion in budget authority and $13.7 billion in outlays, a 10 percent increase. Over the 1997–2002 period, federal spending on general government activities would be $83.2 billion in budget authority and $82.7 billion in outlays.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

Last year's budget resolution assumed a 25 percent reduction in funding for GAO from the 1995 level. During the appropriations process, this proposal was changed to a 25 percent reduction over two years—15 percent in the first year and 10 percent in the second. The 1996 Legislative Branch appropriations bill actually saved 17 percent from the 1995 level. The 1997 Committee's recommendation assumes the remaining 8 percent reduction will be accomplished this year. This proposal would save about $250 million over the next six years.

Federal courthouse construction is assumed to be reduced by $1.5 billion over the 1997–2002 period.

The President has identified roughly $0.8 billion in program administration and construction (non-GSA) cuts, primarily in Treasury.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Presidential election campaign fund is currently financed by the general fund of the Treasury. Spending is limited to the amount taxpayers "checkoff" on their tax returns. This proposal would change the checkoff to a direct contribution to be taken from tax refunds. Many states have used the refund offset as a way to finance a wide range of activities. This proposal would not terminate public financing, only the source of the funds. This proposal would save $0.3 billion over the next six years.

Function 900: NET INTEREST

MAJOR PROGRAMS IN FUNCTION

Function 900 displays net interest, which is a mandatory payment. There are no discretionary programs in function 900. Net interest includes interest on the public debt after deducting the amount of interest income received by the federal government.

Interest on the public debt, or gross interest, is the Treasury's cost of financing the entire public debt of the U.S. government. Gross interest costs are not, however, a comprehensive measure of government borrowing costs because some of the debt is held by the government and generates interest income for the government. In 1995, more than $1.3 trillion (about 27 percent) of the total public debt was held by the government itself, mostly by trust funds such as social security and federal civilian and military retirement. The government both pays and collects interest on these securities. In addition, the federal government lends money through other credit programs. These activities also result in interest income to the government. Since net interest reflects both the interest paid and interest earned by the government, it provides the best measure of the costs of federal borrowing.

SUMMARY OF COMMITTEE RECOMMENDATION

Net interest payments in the Committee's recommendation fall from $242.1 billion in 1997 to $236.4 billion in 2002. Under the freeze baseline, net interest payments rise to $248.5 billion in 2002. The net interest levels in the recommendation are $26.1 billion lower than the baseline over the next six years and $12.7 billion lower than the President's budget over the next six years.

Interest on the public debt is a major beneficiary of deficit reduction and is lower in the Committee's recommendation because of the substantial deficit reduction embodied in the plan.

FUNCTION 900: NET INTEREST

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Committee recommendation:							
Interest on the public debt	343.5	348.1	351.0	348.3	349.8	351.1	352.7
Interest rec'd by trust funds	−97.6	−99.8	−100.8	−101.7	−103.4	−105.4	−107.6
Other interest received	−6.2	−6.2	−6.0	−6.2	−6.8	−7.7	−8.7
Total net interest	239.7	242.1	244.3	240.4	239.6	238.0	236.4
Freeze baseline:							
Interest on the public debt	343.5	348.2	351.6	350.2	353.9	358.4	364.8
Interest rec'd by trust funds	−97.6	−99.8	−100.8	−101.7	−103.4	−105.4	−107.6
Other interest received	−6.2	−6.2	−6.0	−6.2	−6.8	−7.7	−8.7
Total net interest	239.7	242.2	244.9	245.3	243.7	245.3	248.5
President's budget:							
Interest on the public debt	343.6	348.5	352.0	352.8	352.1	354.0	356.1

FUNCTION 900: NET INTEREST—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Interest rec'd by trust funds	−97.7	−100.1	−101.3	−102.6	−104.5	−106.7	−109.1
Other interest received	−6.4	−6.7	−6.3	−6.0	−6.0	−6.2	−6.6
Total net interest	239.5	241.8	244.5	244.3	241.6	241.0	240.4
Committee recommendation compared to freeze baseline:							
Interest on the public debt	....	−0.1	−0.6	−1.9	−4.1	−7.3	−12.1
Interest rec'd by trust funds	....	....	....	....	....	....	....
Other interest received	....	....	....	....	....	....	....
Total net interest	....	−0.1	−0.6	−1.9	−4.1	−7.3	−12.1
Committee recommendation compared to President's budget:							
Interest on the public debt	−( )	−0.4	−0.9	−4.5	−2.3	−2.9	−3.5
Interest rec'd by trust funds	+( )	+0.3	+0.5	+0.8	+1.1	+1.3	+1.5
Other interest received	+0.2	+0.4	+0.3	−0.2	−0.8	−1.5	−2.1
Total net interest	+0.2	+0.3	−0.1	−3.9	−2.0	−3.0	−4.1

Function 920: ALLOWANCES

Function 920 displays the budgetary effects of proposals or assumptions that cannot be easily distributed across other budget functions. The net impact on spending in this function would be an increase of $1.1 billion in outlays in 1997, and a decrease of $3.6 billion in outlays over the 1997–2002 period.

The President's budget assumes savings of $54 billion in this function, almost all of which was unspecified. The Chairman's Committee's recommendation displays in this function $13.6 billion of savings (mostly from repealing the Davis-Bacon Act and Service Contract Act, in addition to other options), offset by $10 billion of spending for the education of graduate medical students.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

MAJOR PROGRAMS IN FUNCTION

Function 950 records offsetting receipts (receipts, not federal revenues or taxes, that the budget shows as offsets to spending programs) that are too large to record in other budget functions. Such receipts are either intra budgetary (a payment from one federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some type of business transaction with the government). The main types of receipts recorded as "undistributed" in this function are—the payments federal agencies make to the retirement trust funds for their employees, payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf, and payments by those who bid for the right to buy or use the public property or resources, such as the electromagnetic spectrum.

Receipts in Function 950 would increase from $41.5 billion in 1996 to $50.3 billion in 1997. Over the 1997–2002 period, total receipts in this function would be $275.4 billion, an increase of $23.7 billion in receipts over baseline levels.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

Most of the receipts assumed in the Committee's recommendation would stem from enactment of the expanded spectrum auction provisions included in the BBA.

REVENUES

The Committee's recommendation provides tax relief of $122 billion over six years.

The Committee's recommendation provides maximum flexibility for a tax legislation this year. The recommendation assumes that Congress will act to extend expired trust fund excise taxes. The recommendation contains a reserve fund which may be used to provide tax relief to middle class families, small businesses, family farms, incentives for saving and investment, relief from fuel taxes or tax technical corrections on a deficit neutral basis.

Absent the reserve fund, the Committee's recommendation accommodates permanent, middle income family tax relief in the form of the Balanced Budget Act's $500 per child tax credit. The credit is a permanent, nonrefundable, nonindexed tax credit of $500 per child under age 18, phased out for unmarried individuals with incomes over $75,000 and middle-class couples with incomes over $110,000. Taxpayers claim the child credit first in order to get its full benefit, then the Earned Income Credit (EIC).

The President proposes a temporary, nonrefundable tax credit of $300 per child under age 13 for 1996, 1997 and 1998. The credit amount would rise to $500 per child for 1999 and 2000. The credit would be phased out for taxpayers with adjusted gross incomes (AGI) between $60,000 and $75,000. The President's child credit would sunset effective December 31, 2000.

The Committee notes that the resolution provides the Finance Committee with the flexibility to address coal industry retiree health equity by providing relief to the "reach back" companies. This relief could take the form of reducing the insurance premiums required to be paid to the Combined Fund for the period October 1, 1996 through September 30, 1998, equal to the amount of any surplus in the Combined Fund. Such relief shall not adversely impact the coal industry retirees' health benefits.

TAX EXPENDITURES

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the President's budget submission and in reports accompanying congressional budget resolutions. Tax expenditures are defined by the Act as "revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Under this definition, the concept of tax expenditures refers to revenue losses attributable exclusively to corporate and individual income taxes.

The estimates presented here are those of the Joint Committee on Taxation and are based on the committee's most recent report of September 1, 1995 (*Estimates of Federal Tax Expenditures for Fiscal Years 1996–2000*) (JCS–21–95). The list shows the estimated revenue lost from tax expenditure items for fiscal years 1996 through 2000. Because of the interaction among provisions, the Joint Committee on Taxation warns that it is incorrect to assume that estimates of separate tax expenditures can be summed to calculate a total revenue effect of repeal of a group of tax expenditures. The tax expenditures in the following list are estimated separately, under the assumption that all other tax expenditures remain in the code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1996–2000

[In billions of dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
National defense:											
Exclusion of benefits and allowances to Armed Forces personnel	....	....	....	....	....	2.0	2.0	2.1	2.1	2.2	10.4
Exclusion of military disability benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
International affairs:											
Exclusion of income earned abroad by U.S. citizens	....	....	....	....	....	1.6	1.7	1.8	1.9	1.9	8.9
Exclusion of certain allowances for Federal employees abroad	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	1.5	1.5	1.5	1.6	1.6	....	....	....	....	....	7.7
Deferral of income of controlled foreign corporations	1.1	1.1	1.2	1.2	1.2	....	....	....	....	....	5.8
Inventory property sales source rule exception	3.6	3.7	3.7	3.8	3.8	....	....	....	....	....	18.6
Interest allocation rules exception for certain nonfinancial institutions	0.2	0.2	0.2	0.2	0.2	....	....	....	....	....	1.0
General science, space, and technology:											
Expensing of research and development expenditures	2.5	2.7	2.9	3.1	3.2	([1])	([1])	([1])	([1])	([1])	14.5
Energy:											
Expensing of exploration and development costs:.											
Oil and gas	0.1	0.2	0.2	0.2	0.2	([1])	([1])	([1])	([1])	([1])	1.0
Other fuels	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	1.0
Excess of percentage over cost depletion:.											
Oil and gas	0.3	0.4	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1	2.4
Other fuels	([1])	0.1	0.1	0.1	0.1	([1])	([1])	([1])	([1])	([1])	0.5
Credit for enhanced oil recovery costs	([1])	0.1	0.1	0.1	0.1	([1])	([1])	([1])	([1])	([1])	0.3
Credit for non-conventional fuels production	0.9	0.8	0.8	0.8	0.7	0.1	0.1	0.1	0.1	0.1	4.5
Credits for alcohol fuels [2]	([1])	([1])	([1])	([1])	([1])	....	....	....	....	....	0.1
Exclusion of interest on State and local government industrial development bonds for energy production facilities	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of tertiary injectants	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.1
Exclusion of energy conservation subsidies provided by public utilities	0.1	0.1	0.1	0.1	0.1	([1])	([1])	([1])	([1])	([1])	0.5
Credit for investments in solar and geothermal energy facilities	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.2
Credits for electricity production from wind and biomass	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.4
Deductions and credits for clean-fuel vehicles and refueling property	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.3
Natural resources and environment:											
Expensing of exploration and development costs, nonfuel minerals	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.2
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.2	0.2	0.2	([1])	([1])	([1])	([1])	([1])	1.0
Investment credit and 7-year amortization for reforestation expenditures	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.1

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1996–2000—Continued

[In billions of dollars]

Function	Corporations 1996	Corporations 1997	Corporations 1998	Corporations 1999	Corporations 2000	Individuals 1996	Individuals 1997	Individuals 1998	Individuals 1999	Individuals 2000	Total 1996–2000
Expensing of multiperiod timber-growing costs	0.4	0.5	0.5	0.5	0.5	([1])	([1])	0.1	0.1	0.1	2.8
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.8
Investment credit for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	([1])	([1])	([1])	([1])	([1])	0.5
Special rules for mining reclamation reserves	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.3
Agriculture:											
Expensing of soil and water conservation expenditures	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.2
Expensing of fertilizer and soil conditioner costs	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.2
Expensing of the costs of raising dairy and breeding cattle	([1])	([1])	([1])	([1])	([1])	0.1	0.1	0.1	0.1	0.1	0.8
Exclusion of cost-sharing payment	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.1
Exclusion of cancellation of indebtedness income of farmers	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.3
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.1
Commerce and housing:											
Financial institutions:											
Bad-debt reserves of financial institutions	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exemption of credit union income	0.8	0.8	0.9	0.9	0.9	....	....	....	....	....	4.3
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.5	0.8	1.0	1.4	1.6	8.7	13.1	18.1	23.7	28.3	97.3
Exclusion of investment income from structured settlement amounts	([1])	([1])	([1])	([1])	([1])	....	....	....	....	....	([1])
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.3
Special treatment of life insurance company reserves	2.2	2.5	2.8	3.1	3.4	....	....	....	....	....	14.0
Deduction of unpaid property loss reserves for property and casualty insurance companies	1.8	1.9	2.1	2.3	2.5	....	....	....	....	....	10.6
Special alternative tax on small property and casualty insurance companies	([1])	([1])	([1])	([1])	([1])	....	....	....	....	....	([1])
Tax exemption for certain insurance companies	([1])	([1])	([1])	([1])	([1])	....	....	....	....	....	([1])
Special deduction for Blue Cross and Blue Shield companies	0.3	0.4	0.4	0.3	0.2	....	....	....	....	....	1.7
Housing:											
Deductibility of mortgage interest on owner-occupied residences	....	....	....	....	....	59.2	62.7	66.4	70.3	74.5	333.1
Deductibility of property tax on owner-occupied homes	....	....	....	....	....	14.4	15.1	15.9	16.6	17.4	79.5
Deferral of capital gains on sales of principal residences	....	....	....	....	....	15.3	15.9	16.4	17.0	17.6	82.2
Exclusion of capital gains on sales of principal residences for persons age 55 and over ($125,000 exclusion)	....	....	....	....	....	5.1	5.3	5.5	5.7	5.9	27.5
Exclusion of interest on State and local government bonds for owner-occupied housing	0.6	0.6	0.6	0.6	0.7	1.5	1.5	1.5	1.5	1.5	10.8
Exclusion of interest on State and local government bonds for rental housing	0.4	0.3	0.3	0.3	0.3	0.8	0.8	0.7	0.7	0.7	5.3
Depreciation of rental housing in excess of alternative depreciation system	1.2	1.2	1.1	1.0	1.0	0.8	0.8	0.8	0.7	0.7	9.3

Low-income housing tax credit	0.9	1.0	1.1	1.2	1.4	1.7	1.9	2.2	2.4	2.5	16.3
Other business and commerce:											
Maximum 28% tax rate on long-term capital gains	....	....	....	....	....	9.1	10.2	11.4	12.7	14.3	57.6
Depreciation of buildings other than rental housing in excess of alternative depreciation system	3.7	3.2	2.6	1.9	1.5	1.5	1.4	1.1	0.9	0.7	18.5
Depreciation of equipment in excess of alternative depreciation system	22.5	22.2	21.6	21.4	21.1	5.6	5.8	5.8	5.8	5.8	137.6
Expenses of up to $17,500 of depreciable business property	0.8	0.5	0.3	0.2	0.2	0.5	0.3	0.2	0.1	0.1	3.2
Exclusion of capital gains at death	....	....	....	....	....	14.0	15.4	17.1	18.3	19.5	84.3
Deferral of capital gains on gifts	....	....	....	....	....	1.5	1.5	1.6	1.7	1.7	8.0
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Reduced rates on first $10,000,000 of corporate taxable income	4.1	4.3	4.4	4.6	4.7	....	....	....	....	....	22.1
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback book, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.4	0.4	0.5	0.5	0.5	0.3	0.3	0.4	0.4	0.4	4.1
Completed contract rules	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.5
Exclusion of interest on State and local government small-issue industrial development bonds	0.3	0.2	0.2	0.2	0.2	0.6	0.5	0.4	0.4	0.4	3.3
Deferral of gain on like-kind exchanges	0.5	0.5	0.5	0.6	0.6	0.3	0.3	0.3	0.4	0.4	4.5
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.4	0.5	0.5	0.5	0.5	....	....	....	....	....	2.4
Transportation:											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exclusion of employer-paid transportation benefits	....	....	....	....	....	2.1	2.2	2.3	2.4	2.5	11.5
Exclusion of interest on State and local government bond for high-speed rail	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Community and regional development:											
Investment credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilities	0.3	0.3	0.3	0.3	0.4	0.7	0.7	0.7	0.8	0.9	5.4
Regional economic development tax incentives: empowerment zones, enterprise communities, and Indian investment incentives	0.2	0.2	0.3	0.3	0.4	0.2	0.2	0.3	0.3	0.4	2.8
Education, training, employment, and social services:											
Education and training:											
Exclusion of scholarship and fellowship income	....	....	....	....	....	0.8	0.9	0.9	1.0	1.1	4.6
Parental personal exemption for students age 19 to 23	....	....	....	....	....	0.8	0.8	0.8	0.8	0.8	4.1
Exclusion of interest on State and local government student loans bonds	0.1	0.1	0.1	0.1	0.3	0.2	0.2	0.2	0.1	1.4	....
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.3	0.3	0.3	0.3	0.3	0.6	0.6	0.7	0.7	0.7	4.8
Deductibility of charitable contributions for educational institutions	0.5	0.5	0.5	0.5	0.5	2.0	2.1	2.1	2.2	2.3	13.5
Exclusion of interest on educational savings bonds	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Employment:											
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	0.6	0.6	0.6	0.7	0.7	3.2
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.1	1.2	1.2	(1)	(1)	(1)	(1)	(1)	5.4

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1996–2000—Continued

[In billions of dollars]

Function	Corporations					Individuals					Total 1996–2000
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Exclusion of benefits provided under cafeteria plans [3]	....	....	....	....	....	4.4	5.0	5.7	6.5	7.2	28.8
Exclusion of rental allowances for ministers' homes	....	....	....	....	....	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	5.2	5.5	5.8	6.2	6.5	29.1
Exclusion of employee awards	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of income earned by voluntary employees' beneficiary associations	....	....	....	....	....	0.5	0.5	0.6	0.6	0.6	2.7
Targeted jobs tax credit	0.1	(1)	(1)	....	....	(1)	....	....	....	....	0.1
Social services:											
Deductibility of charitable contributions, other than for education and health	0.5	0.5	0.5	0.5	0.5	14.0	14.7	15.3	16.0	16.7	79.3
Credit for child and dependent care expenses	....	....	....	....	....	2.7	2.8	2.8	2.9	3.0	14.2
Exclusion of employer-provided child care [4]	....	....	....	....	....	0.7	0.8	0.9	1.0	1.2	4.6
Exclusion of certain foster care payments	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of costs for removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Credit for disabled access expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health:											
Exclusion of employer contributions for medical insurance premiums and medical care [5]	....	....	....	....	....	48.4	52.0	55.7	59.8	64.0	279.8
Exclusion of medical care and CHAMPUS medical insurance for military dependents, retirees, and retiree dependents	....	....	....	....	....	0.5	0.6	0.6	0.6	0.6	2.9
Deductibility of medical insurance premiums by the self-employed	....	....	....	....	....	0.5	0.6	0.6	0.7	0.7	3.1
Deductibility of medical expenses	....	....	....	....	....	3.5	3.8	4.1	4.4	4.8	20.7
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities	0.6	0.6	0.6	0.6	0.7	1.3	1.3	1.4	1.5	1.6	10.2
Deductibility of charitable contributions to health organizations	0.4	0.4	0.4	0.4	0.4	1.4	1.5	1.6	1.6	1.7	9.8
Medicare:											
Exclusion of untaxed medicare benefits:											
Hospital insurance	....	....	....	....	....	9.0	10.0	11.0	12.1	13.3	55.3
Supplementary medical insurance	....	....	....	....	....	4.2	4.9	5.7	6.5	7.5	28.7
Income security:											
Exclusion of workers' compensation benefits	....	....	....	....	....	3.9	4.0	4.1	4.2	4.3	20.5
Exclusion of special benefits for disabled coal miners	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of cash public assistance benefits	....	....	....	....	....	0.5	0.5	0.6	0.6	.07	3.0
Net exclusion of pension contributions and earnings:											
Employer plans	....	....	....	....	....	69.6	70.5	73.5	76.7	80.0	370.3
Individual retirement plans	....	....	....	....	....	8.8	9.3	9.8	10.3	10.9	49.1
Keogh plans	....	....	....	....	....	3.5	3.7	3.9	4.2	4.4	19.7

Exclusion of other employee benefits:											
Premiums on group term life insurance	....	....	....	....	....	2.0	2.0	2.1	2.1	2.2	10.5
Premiums on accident and disability insurance	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of employer-provided death benefits	....	....	....	....	....	([1])	([1])	([1])	([1])	([1])	0.2
Additional standard deduction for the blind and the elderly	....	....	....	....	....	1.7	1.9	2.0	2.1	2.3	10.0
Tax credit for the elderly and disabled	....	....	....	....	....	([1])	([1])	([1])	([1])	([1])	0.1
Deductibility of casualty and theft losses	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.4
Earned income tax credit (EITC)[6]	....	....	....	....	....	3.6	4.0	4.1	4.3	4.6	20.6
Social Security and railroad retirement:											
Exclusion of untaxed Social Security and railroad retirement benefits	....	....	....	....	....	23.1	24.2	25.2	26.4	27.5	126.4
Veterans' benefits and services:											
Exclusion of veterans' disability compensation	....	....	....	....	....	1.7	1.8	1.8	1.9	1.9	9.1
Exclusion of veterans' pensions	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of GI bill benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government bonds for veterans' housing	([1])	([1])	([1])	([1])	([1])	0.1	0.1	0.1	0.1	0.1	0.5
General purpose fiscal assistance:											
Exclusion of interest on public purpose State and local government debt	4.4	4.4	4.6	4.9	5.4	10.3	10.3	10.8	11.5	12.5	79.1
Deduction of nonbusiness State and local government income and personal property taxes	....	....	....	....	....	27.5	29.0	30.5	32.1	33.8	152.8
Tax credit for section 936 income	3.4	3.5	3.8	4.1	4.4	....	....	....	....	....	19.3
Interest:											
Deferral of interest on savings bonds	....	....	....	....	....	1.5	1.5	1.6	1.6	1.7	7.9

[1] Less than $50 million.

[2] In addition, the 5.4-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effects of $0.6 billion per year in fiscal years 1996 and 1997, and $0.5 billion per year in fiscal years 1998 through 2000.

[3] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.

[4] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

[5] Estimate includes employer-provided health insurance purchased through cafeteria plans.

[6] The figures in the table show the effect of the EITC on receipts. The increase in outlays is: $19.9 billion in 1996, $21.9 billion in 1997, $22.9 billion in 1998, $23.9 billion in 1999, and $24.9 billion in 2000.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

IV. Summary Tables

COMMITTEE RECOMMENDATION—FUNCTION TOTALS

[In billion of dollars]

	1996	1997	1998	1999	2000	2001	2002
050: National Defense:							
BA	264.1	265.6	267.1	269.5	271.8	274.2	276.9
OT	263.6	263.7	262.1	265.1	268.6	267.5	267.2
150: International Affairs:							
BA	15.0	14.2	12.7	11.6	12.0	12.4	12.7
OT	15.9	14.8	13.6	12.6	11.4	11.5	11.5
250: Science, Space and Technology:							
BA	16.8	16.5	16.1	15.7	15.4	15.5	15.5
OT	16.6	16.7	16.3	15.9	15.5	15.5	15.5
270: Energy:							
BA	3.8	2.8	2.9	2.6	2.5	2.7	2.4
OT	3.5	2.9	2.2	1.8	1.6	1.6	1.2
300: Natural Resources and Environment:							
BA	21.4	20.3	20.0	19.9	19.5	19.4	19.3
OT	21.8	21.4	20.9	20.6	20.1	19.6	19.4
350: Agriculture:							
BA	12.7	12.5	12.5	12.2	11.5	10.5	10.3
OT	10.8	10.8	10.6	10.3	9.7	8.7	8.4
370: Commerce and Housing Credit:							
On-budget:							
BA	6.4	7.7	9.6	10.6	12.6	11.4	11.7
OT	−6.4	−2.7	5.7	6.1	7.5	7.4	7.4
Off-budget:							
BA	5.4	1.1	4.7	3.6	0.4	3.4	....
OT	−0.7	0.7	1.5	−1.7	−0.5	1.1	....
Total:							
BA	11.8	8.8	14.3	14.2	13.0	14.8	11.7
OT	−7.1	−2.0	7.2	4.4	7.0	8.5	7.4
400: Transportation:							
BA	36.7	41.5	43.3	43.8	43.5	43.7	44.0
OT	39.3	38.6	37.0	35.6	34.1	33.7	33.2
450: Community and Regional Development:							
BA	11.1	8.4	6.7	6.7	6.7	6.7	6.6
OT	11.1	10.7	9.5	8.6	7.7	7.2	6.7
500: Education, Training, Employment and Social Services:							
BA	47.8	49.7	49.0	50.2	51.0	51.8	52.6
OT	50.6	50.7	48.9	49.4	50.2	50.9	51.7
550: Health:							
BA	110.6	131.1	137.4	144.0	152.8	160.3	167.2
OT	123.0	131.8	137.8	144.1	152.7	159.9	166.7
570: Medicare:							
BA	181.3	193.0	205.9	216.7	227.3	239.3	253.5
OT	179.1	191.3	204.2	214.4	225.6	237.6	251.1
600: Income Security:							
BA	219.3	232.0	241.9	246.5	264.6	264.1	282.8
OT	228.9	240.1	245.2	253.0	264.5	268.5	281.1
650: Social Security							
On-budget:							
BA	6.9	7.8	8.5	9.2	10.0	10.8	11.6
OT	10.0	10.5	11.2	11.9	12.7	13.5	14.3
Off-budget:							
BA	347.7	364.6	382.5	401.2	421.0	442.5	465.0
OT	341.3	357.6	374.9	393.1	412.4	433.3	455.2
Total:							
BA	354.6	372.4	391.0	410.4	431.0	453.3	476.6
OT	351.3	368.1	386.1	405.0	425.1	446.8	469.5
700: Veterans Benefits:							
BA	38.5	39.0	38.6	38.7	38.7	38.8	39.0

COMMITTEE RECOMMENDATION—FUNCTION TOTALS—Continued

[In billion of dollars]

	1996	1997	1998	1999	2000	2001	2002
OT	37.8	39.5	39.3	39.3	40.4	37.7	39.3
750: Administration of Justice:							
BA	21.0	21.7	22.3	23.3	23.3	19.9	19.9
OT	17.7	20.6	21.6	22.4	23.0	19.8	19.8
800: General Government:							
BA	12.5	13.8	13.6	13.3	13.2	13.3	13.5
OT	12.6	13.6	13.6	13.3	13.1	13.2	13.3
900: Net Interest:							
On-budget:							
BA	276.3	282.7	289.2	293.0	294.5	298.7	303.3
OT	276.3	282.7	289.2	293.0	294.5	298.7	303.3
Off-budget:							
BA	−36.6	−40.6	−44.9	−49.7	−55.0	−60.7	−66.9
OT	−36.6	−40.6	−44.9	−49.7	−55.0	−60.7	−66.9
Total:							
BA	239.7	242.1	244.3	243.3	239.5	238.0	236.4
OT	239.7	242.1	244.3	243.3	239.5	238.0	236.4
920: Allowances:							
BA	−0.2	1.9	0.1	−0.1	−0.6	−1.1	−3.6
OT	....	0.9	0.4	....	−0.5	−1.0	−3.6
950: Undistributed Offsetting Receipts:							
On-budget:							
BA	−35.2	−43.7	−35.7	−34.9	−36.7	−38.5	−40.1
OT	−35.2	−43.7	−35.7	−34.9	−36.7	−38.5	−40.1
Off-budget:							
BA	−6.3	−6.6	−7.0	−7.5	−8.2	−8.7	−9.4
OT	−6.3	−6.6	−7.0	−7.5	−8.2	−8.7	−9.4
Total:							
BA	−41.5	−50.3	−42.7	−42.4	−44.9	−47.2	−49.5
OT	−41.5	−50.3	−42.7	−42.4	−44.9	−47.2	−49.5
Total Spending:							
On-budget:							
BA	1,266.8	1,318.5	1,361.7	1,392.5	1,433.6	1,453.9	1,499.1
OT	1,277.0	1,314.9	1,353.6	1,382.5	1,415.7	1,433.0	1,467.4
Off-budget:							
BA	310.2	318.5	335.3	347.6	358.2	376.5	388.7
OT	297.7	311.1	324.5	334.2	348.7	365.0	378.9
Total:							
BA	1,577.0	1,637.0	1,697.0	1,740.1	1,791.8	1,830.4	1,887.8
OT	1,574.7	1,626.0	1,678.1	1,716.7	1,764.4	1,798.0	1,846.3
Revenues:							
On-budget	1,062.5	1,086.2	1,129.9	1,176.1	1,229.9	1,289.6	1,359.1
Off-budget	365.2	385.0	402.3	423.4	445.1	465.2	487.3
Total	1,427.7	1,471.2	1,532.2	1,599.5	1,675.0	1,754.8	1,846.4
Deficit:							
On-budget	−214.5	−228.7	−223.7	−206.4	−185.8	−143.4	−108.3
Off-budget	67.5	73.9	77.8	89.2	96.4	100.2	108.4
Total	−147.0	−154.8	−145.9	−117.2	−89.4	−43.2	0.1

COMMITTEE RECOMMENDATION—DISCRETIONARY

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
050: National Defense:							
BA	264.9	266.4	267.8	270.2	272.5	274.9	277.5
OT	264.5	264.6	263.0	265.9	269.3	268.2	267.9
150: International Affairs:							
BA	18.5	18.1	16.6	15.5	14.7	15.0	15.0
OT	19.8	19.2	17.9	16.6	15.7	15.3	15.1

COMMITTEE RECOMMENDATION—DISCRETIONARY—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
250: Science, Space and Technology:							
BA	16.7	16.4	16.0	15.7	15.3	15.4	15.5
OT	16.5	16.6	16.3	15.8	15.5	15.4	15.5
270: Energy:							
BA	4.8	4.2	4.3	4.6	4.5	4.5	4.5
OT	5.8	5.2	4.8	4.9	4.7	4.6	4.5
300: Natural Resources and Environment:							
BA	20.5	19.6	19.4	19.2	19.0	19.0	19.0
OT	21.3	20.8	20.4	20.1	19.7	19.3	19.2
350: Agriculture:							
BA	3.9	3.7	3.6	3.5	3.4	3.4	3.4
OT	4.0	3.8	3.7	3.6	3.5	3.4	3.4
370: Commerce and Housing Credit:							
BA	1.8	2.6	2.7	3.1	4.4	2.5	2.5
OT	1.9	2.6	2.6	2.8	3.9	2.7	2.3
400: Transportation:							
BA	13.8	12.7	12.4	12.4	11.3	10.8	10.4
OT	36.5	36.1	34.8	33.8	32.5	32.1	31.6
450: Community and Regional Development:							
BA	10.5	8.1	6.4	6.4	6.4	6.4	6.4
OT	10.7	10.7	9.5	8.6	7.6	7.0	6.7
500: Education, Training, Employment and Social Services:							
BA	36.2	36.3	35.6	35.6	35.6	35.6	35.6
OT	38.8	37.8	35.5	35.3	35.3	35.3	35.3
550: Health:							
BA	23.3	21.6	21.6	21.6	21.6	21.6	21.6
OT	23.1	22.4	21.9	21.7	21.7	21.7	21.7
570: Medicare:							
BA	3.0	2.8	2.8	2.8	2.8	2.8	2.8
OT	3.0	2.7	2.8	2.8	2.8	2.8	2.8
600: Income Security:							
BA	27.5	29.9	35.8	33.1	39.7	35.6	42.4
OT	38.7	40.6	41.5	42.0	42.1	42.3	43.1
650 Social Security:							
BA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OT	3.1	2.7	2.7	2.7	2.7	2.7	2.7
700: Veterans Benefits:							
BA	18.4	19.0	18.3	18.1	18.0	17.9	17.9
OT	19.0	19.3	18.8	18.5	18.0	17.9	17.9
750: Administration of Justice:							
BA	20.6	21.4	21.9	22.9	22.9	19.5	19.5
OT	17.3	20.4	21.2	22.0	22.6	19.5	19.5
800: General Government:							
BA	11.6	11.5	11.3	11.0	10.8	10.9	11.1
OT	11.7	11.3	11.3	11.0	10.8	10.8	10.9
920: Allowances:							
BA	−0.2	−0.0	−1.9	−2.1	−2.6	−3.0	−3.6
OT	−0.0	−1.1	−1.6	−1.9	−2.5	−3.0	−3.5
Total Discretionary:							
BA	495.8	494.2	494.8	493.5	500.4	492.8	501.5
OT	536.0	535.7	527.2	526.3	525.6	518.2	516.5
Defense:							
BA	264.9	266.4	267.8	270.2	272.5	274.9	277.5
OT	264.5	264.6	263.0	265.9	269.3	268.2	267.9
Nondefense:							
BA	230.9	227.9	227.0	223.3	227.9	217.9	224.0
OT	271.5	271.2	264.2	260.4	256.3	250.0	248.6

COMMITTEE RECOMMENDATION—MANDATORY

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
050: National Defense:							
BA	−0.8	−0.8	−0.8	−0.7	−0.7	−0.7	−0.6
OT	−0.9	−0.8	−0.8	−0.8	−0.7	−0.7	−0.6
150: International Affairs:							
BA	−3.5	−3.9	−3.9	−3.9	−2.7	−2.6	−2.3
OT	−4.0	−4.3	−4.4	−4.1	−4.2	−3.8	−3.6
250: Science, Space and Technology:							
BA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
270: Energy:							
BA	−1.1	−1.4	−1.5	−1.9	−2.0	−1.8	−1.2
OT	−2.3	−2.3	−2.5	−3.0	−3.1	−3.0	−3.3
300: Natural Resoruces and Environment:							
BA	0.9	0.7	0.5	0.6	0.5	0.4	0.4
OT	0.5	0.6	0.5	0.6	0.4	0.3	0.2
350: Agriculture:							
BA	8,8	8.8	8.8	8.6	8.1	7.1	6.8
OT	6.8	7.0	6.9	6.7	6.2	5.2	5.0
370: Commerce and Housing Credit:							
BA	10.1	6.1	11.6	11.1	8.6	12.3	9.2
OT	−9.0	−4.7	4.7	1.6	3.1	5.9	5.1
400: Transportation:							
BA	22.9	28.8	30.9	31.4	32.1	32.8	33.6
OT	2.8	2.6	2.1	1.8	1.7	1.6	1.6
450: Community and Regional Development:							
BA	0.6	0.3	0.3	0.3	0.3	0.3	0.2
OT	0.4	0.0	0.0	0.0	0.1	0.2	0.1
500: Education, Training, Employment and Social Services:							
BA	11.6	13.5	13.5	14.6	15.4	16.2	17.0
OT	11.7	13.0	13.4	14.1	14.8	15.6	16.3
550: Health:							
BA	87.3	109.5	115.8	122.4	131.2	138.7	145.6
OT	99.9	109.4	115.9	122.4	131.0	138.3	145.1
570: Medicare:							
BA	178.2	190.2	203.2	213.9	224.6	236.5	250.8
OT	176.1	188.5	201.4	211.6	222.8	234.8	248.4
600: Income Security:							
BA	191.8	202.0	206.1	213.5	224.9	228.5	240.4
OT	190.2	199.5	203.6	211.0	222.5	226.1	238.0
650: Social Security:							
BA	354.6	372.4	390.9	410.4	431.0	453.3	476.6
OT	348.2	365.4	383.4	402.4	422.4	444.1	466.8
700: Veterans Benefits:							
BA	20.1	20.0	30.3	20.6	20.7	20.9	21.1
OT	18.8	20.2	20.4	20.7	22.4	19.8	21.4
750: Administration of Justice:							
BA	0.4	0.3	0.4	0.4	0.4	0.4	0.3
OT	0.4	0.2	0.4	0.4	0.3	0.3	0.3
800: General Government:							
BA	0.9	2.3	2.3	2.3	2.3	2.4	2.4
OT	1.0	2.3	2.3	2.3	2.3	2.4	2.4
900: Net Interest:							
BA	239.7	242.1	244.3	243.3	239.5	238.0	236.4
OT	239.7	242.1	244.3	243.3	239.5	238.0	236.4
920: Allowances:							
BA	....	2.0	2.0	2.0	2.0	2.0	−0.0
OT	....	2.0	2.0	2.0	2.0	2.0	−0.0
950: Undistributed Offsetting Receipts:							
BA	−41.5	−50.3	−42.7	−42.4	−44.9	−47.1	−49.5
OT	−41.5	−50.3	−42.7	−42.4	−44.9	−47.1	−49.5

COMMITTEE RECOMMENDATION—MANDATORY—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Total Spending:							
BA	1,081.1	1,142.7	1,202.2	1,246.7	1,291.4	1,337.5	1,386.2
OT	1,038.6	1,090.4	1,151.1	1,190.6	1,238.7	1,279.8	1,330.0

FREEZE BASELINE

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
050: National Defense:							
BA	264.1	264.5	264.5	264.6	264.6	264.7	264.8
OT	263.6	265.1	263.5	264.1	265.8	260.5	262.5
150: International Affairs:							
BA	15.0	14.2	14.2	14.3	15.5	15.6	15.9
OT	15.9	14.9	14.4	14.6	14.2	14.4	14.5
250: Science, Space and Technology:							
BA	16.8	16.7	16.7	16.7	16.7	16.7	16.7
OT	16.6	16.8	16.7	16.6	16.7	16.7	16.7
270: Energy:							
BA	3.8	3.7	3.6	3.8	3.8	3.9	3.7
OT	3.5	3.1	2.7	2.8	2.6	2.8	2.4
300: Natural Resources and Environment:							
BA	21.4	20.1	19.9	19.9	19.8	19.7	19.6
OT	21.8	21.6	21.1	20.8	20.3	19.9	19.7
350: Agriculture:							
BA	12.7	12.8	12.8	12.6	12.1	11.0	10.8
OT	10.8	11.0	10.8	10.7	10.2	9.2	9.0
370: Commerce and Housing Credit:							
On-Budget:							
BA	6.4	8.4	10.2	11.0	11.7	12.4	12.7
OT	−6.4	1.2	5.7	6.0	6.2	7.3	89.2
Off-budget:							
BA	5.4	1.1	4.7	3.6	0.4	3.4	....
OT	−0.7	0.7	1.5	−1.7	−0.5	1.1	....
Total:							
BA	11.9	9.4	14.9	14.6	12.1	15.8	12.7
OT	−7.1	1.9	7.3	4.4	5.7	8.4	8.2
400: Transportation:							
BA	36.7	43.7	44.7	45.3	46.0	46.7	47.5
OT	39.3	39.4	38.9	38.5	38.0	37.8	37.8
450: Community and Regional Development:							
BA	11.1	11.7	11.7	11.6	11.7	11.7	11.6
OT	11.1	11.1	11.2	11.5	11.6	11.6	11.5
500: Education, Training, Employment and Social Services:							
BA	47.8	50.1	49.0	50.1	50.9	51.7	52.5
OT	50.6	51.0	49.3	49.6	50.3	51.1	51.9
550: Health:							
BA	110.6	132.6	143.1	154.3	166.6	180.3	195.6
OT	123.0	132.6	143.2	154.4	166.4	179.9	195.1
570: Medicare:							
BA	181.3	199.6	218.5	238.7	259.1	281.7	306.5
OT	179.1	197.9	216.8	236.4	257.4	280.0	304.1
600: Income Security:							
BA	219.3	236.3	252.4	259.5	279.6	280.1	301.5
OT	228.9	244.2	255.2	266.0	279.5	284.7	299.5
650: Social Security:							
On-Budget:							
BA	6.9	7.8	8.5	9.2	10.0	10.8	11.6
OT	10.0	10.5	11.2	11.9	12.7	13.5	14.3
Off-budget:							
BA	347.7	364.6	382.5	401.2	421.0	442.5	465.0

FREEZE BASELINE—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
OT	341.3	357.6	374.9	393.1	412.4	433.3	455.2
Total:							
BA	354.6	372.5	390.9	410.4	431.0	453.3	476.6
OT	351.3	368.1	386.1	405.1	425.1	446.8	469.5
700: Veterans Benefits:							
BA	38.5	38.6	38.9	40.1	40.3	40.6	40.9
OT	37.8	39.7	39.2	40.3	42.0	39.4	41.2
750: Administration of Justice:							
BA	21.0	19.8	20.0	20.0	20.0	20.0	20.0
OT	17.7	19.2	19.6	20.6	20.0	19.9	19.9
800: General Government:							
BA	12.5	13.9	13.9	13.9	13.9	14.0	14.0
OT	12.6	13.7	13.7	13.8	14.1	13.8	13.8
900: Net Interest:							
On-budget:							
BA	276.3	282.7	289.8	294.9	298.6	306.0	315.4
OT	276.3	282.7	289.8	294.9	298.6	306.0	315.4
Off-budget:							
BA	−36.6	−40.6	−44.9	−49.7	−55.0	−60.7	−66.9
OT	−36.6	−40.6	−44.9	−49.7	−55.0	−60.7	−66.9
Total:							
BA	239.7	242.2	244.9	245.3	243.7	245.3	248.5
OT	239.7	242.2	244.9	245.3	243.7	245.3	248.5
920: Allowances:							
BA	−0.2	....	....	....	....	....	....
OT	−0.0	−0.2	....	....	....	....	....
950: Undistributed Offsetting Receipts:							
Off-budget:							
BA	−35.2	−43.3	−33.5	−31.1	−31.6	−32.6	−33.8
OT	−35.2	−43.3	−33.5	−31.1	−31.6	−32.6	−33.8
Off-budget:							
BA	−6.3	−6.6	−7.0	−7.5	−8.2	−8.7	−9.4
OT	−6.3	−6.6	−7.0	−7.5	−8.2	−8.7	−9.4
Total:							
BA	−41.5	−49.9	−40.5	−38.6	−39.8	−41.2	−43.3
OT	−41.5	−49.9	−40.5	−38.6	−39.8	−41.2	−43.3
Total Spending:							
On-budget:							
BA	1,266.7	1,333.8	1,399.0	1,449.6	1,509.4	1,555.1	1,627.4
OT	1,276.9	1,332.4	1,389.8	1,442.4	1,495.0	1,536.0	1,603.7
Off-budget:							
BA	310.2	318.5	335.2	347.6	358.3	376.5	388.7
OT	297.7	311.1	324.6	334.2	348.8	365.0	378.9
Total:							
BA	1,576.9	1,652.4	1,734.2	1,797.2	1,867.6	1,931.6	2,016.1
OT	1,574.9	1,643.5	1,714.4	1,776.7	1,843.8	1,901.0	1,982.6
Revenues:							
On-budget	1,063.1	1,100.4	1,148.5	1,198.4	1,251.8	1,311.1	1,373.9
Off-budget	365.2	385.0	402.3	423.4	445.1	465.2	487.3
Total	1,428.3	1,485.4	1,550.8	1,621.8	1,696.9	1,776.3	1,861.2
Deficit:							
On-budget	−213.8	−232.1	−241.3	−244.1	−243.2	−224.9	−229.8
Off-budget	67.5	73.9	77.7	89.2	96.3	100.1	108.5
Total	−146.3	−158.2	−163.6	−154.9	−146.9	−124.8	−121.3

COMMITTEE RECOMMENDATION COMPARED TO BASELINE

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
050: National Defense:							
BA	1.0	2.5	4.9	7.1	9.5	12.1	37.2

COMMITTEE RECOMMENDATION COMPARED TO BASELINE—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
OT	−1.4	−1.4	1.1	2.8	7.0	4.7	12.8
150: International Affairs:							
BA	....	−1.5	−2.7	−3.5	−3.2	−3.2	−14.1
OT	−0.1	−0.9	−2.0	−2.7	−2.9	−3.0	−11.6
250: Science, Space and Technology:							
BA	−0.2	−0.6	−1.0	−1.3	−1.2	−1.1	−5.4
OT	−0.1	−0.4	−0.7	−1.2	−1.2	−1.1	−4.7
270: Energy:							
BA	−0.9	−0.8	−1.2	−1.3	−1.3	−1.3	−6.6
OT	−0.2	−0.5	−0.9	−1.1	−1.2	−1.2	−5.0
300: Natural Resources and Environment:							
BA	0.3	0.1	−0.0	−0.2	−0.3	−0.3	−0.5
OT	−0.2	−0.2	−0.2	−0.2	−0.3	−0.3	−1.5
350: Agriculture:							
BA	−0.3	−0.4	−0.4	−0.5	−0.5	−0.5	−2.7
OT	−0.2	−0.3	−0.4	−0.5	−0.5	−0.5	−2.4
370: Commerce and Housing Credit:							
On-budget:							
BA	−0.7	−0.6	−0.3	0.9	−1.0	−1.0	−2.6
OT	−3.9	−0.0	0.1	1.3	0.1	−0.9	−3.3
Off-budget:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
Total:							
BA	−0.7	−0.6	−0.3	0.9	−1.0	−1.0	−2.6
OT	−3.9	−0.0	0.1	1.3	0.1	−0.9	−3.3
400: Transportation:							
BA	−2.2	−1.4	−1.5	−2.5	−3.1	−3.5	−14.2
OT	−0.7	−1.9	−2.9	−3.9	−4.1	−4.6	−18.1
450: Community and Regional Development:							
BA	−3.3	−4.9	−5.0	−5.0	−5.0	−5.0	−28.1
OT	−0.4	−1.7	−2.9	−3.9	−4.4	−4.8	−18.2
500: Education, Training, Employment and Social Services: :							
BA	−0.3	0.1	0.1	0.1	0.1	0.1	0.0
OT	−0.3	−0.4	−0.2	−0.1	−0.2	−0.2	−1.4
550: Health:							
BA	−1.5	−5.7	−10.3	−13.8	−20.1	−28.4	−79.8
OT	−0.8	−5.4	−10.3	−13.7	−20.0	−28.4	−78.6
570: Medicare:							
BA	−6.6	−12.6	−22.0	−31.8	−42.4	−53.0	−168.5
OT	−6.6	−12.6	−22.0	−31.8	−42.4	−53.0	−168.5
600: Income Security:							
BA	−4.3	−10.4	−12.9	−15.1	−16.1	−18.7	−77.5
OT	−4.1	−10.0	−13.0	−14.9	−16.2	−18.4	−76.6
650: Social Security:							
On-budget:							
BA	....	....	....	....	....	....	....

COMMITTEE RECOMMENDATION COMPARED TO BASELINE—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
OT	....	....	....	....	....	....	....
Off-budget:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
Total:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
700: Veterans Benefits:							
BA	0.4	−0.3	−1.4	−1.6	−1.8	−1.9	−6.6
OT	−0.2	0.1	−1.0	−1.6	−1.7	−1.9	−6.4
750: Administration of Justice:							
BA	1.8	2.3	3.3	3.3	−0.1	−0.1	10.5
OT	1.3	2.0	1.8	3.0	−0.1	−0.1	7.9
800: General Government:							
BA	−0.1	−0.3	−0.6	−0.8	−0.7	−0.6	−3.0
OT	−0.1	−0.1	−0.5	−1.0	−0.6	−0.5	−2.8
900: Net Interest:							
On-budget:							
BA	−0.1	−0.6	−1.9	−4.1	−7.3	−12.1	−26.1
OT	−0.1	−0.6	−1.9	−4.1	−7.3	−12.1	−26.1
Off-budget:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
Total:							
BA	−0.1	−0.6	−1.9	−4.1	−7.3	−12.1	−26.1
OT	−0.1	−0.6	−1.9	−4.1	−7.3	−12.1	−26.1
920: Allowances:							
BA	1.9	0.1	−0.1	−0.6	−1.1	−3.6	−3.4
OT	1.1	0.4	0.0	−0.5	−1.0	−3.6	−3.6
950: Undistributed Offsetting Receipts:							
On-budget:							
BA	−0.4	−2.2	−3.8	−5.1	−5.9	−6.3	−23.7
OT	−0.4	−2.2	−3.8	−5.1	−5.9	−6.3	−23.7
Off-budget:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
Total:							
BA	−0.4	−2.2	−3.8	−5.1	−5.9	−6.3	−23.7
OT	−0.4	−2.2	−3.8	−5.1	−5.9	−6.3	−23.7
Total Spending:							
On-budget:							
BA	−15.5	−37.2	−57.0	−75.8	−101.4	−128.3	−415.2
OT	−17.4	−36.2	−59.8	−79.4	−103.0	−136.1	−431.9
Off-budget:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
Total:							
BA	−15.5	−37.2	−57.0	−75.8	−101.4	−128.3	−415.2

COMMITTEE RECOMMENDATION COMPARED TO BASELINE—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
OT	−17.4	−36.2	−59.8	−79.4	−103.0	−136.1	−431.9
Revenues:							
On-budget	−14.1	−18.6	−22.3	−21.9	−21.5	−14.8	−113.2
Off-budget	....	....	....	....	....	....	....
Total	−14.1	−18.6	−22.3	−21.9	−21.5	−14.8	−113.2
Deficit:							
On-budget	3.3	17.5	37.5	57.6	81.5	121.3	318.8
Off-budget	....	....	....	....	....	....	....
Total	3.3	17.5	37.5	57.6	81.5	121.3	318.8

Committee Recommendation Compared to 1996 Levels

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
050: National Defense							
BA	1.5	2.9	5.4	7.7	10.1	12.8	40.4
OT	0.2	−1.5	1.6	5.0	3.9	3.6	12.8
150: International Affairs							
BA	−0.8	−2.3	−3.4	−3.0	−2.6	−2.3	−14.4
OT	−1.1	−2.3	−3.3	−4.5	−4.4	−4.4	−20.0
250: Science, Space and Technology							
BA	−0.3	−0.7	−1.1	−1.4	−1.3	−1.2	−6.1
OT	0.1	−0.2	−0.7	−1.1	−1.1	−1.0	−4.0
270: Energy							
BA	−0.9	−0.9	−1.1	−1.3	−1.1	−1.4	−6.8
OT	−0.6	−1.3	−1.7	−2.0	−1.9	−2.3	−9.8
300: Natural Resources and Environment							
BA	−1.0	−1.4	−1.5	−1.9	−2.0	−2.0	−9.9
OT	−0.4	−0.9	−1.2	−1.7	−2.2	−2.4	−8.9
350: Agriculture							
BA	−0.2	−0.3	−0.5	−1.2	−2.2	−2.5	−7.0
OT	0.0	−0.2	−0.5	−1.1	−2.1	−2.3	−6.1
370: Commerce and Housing Credit:							
On-budget:							
BA	1.2	3.2	4.2	6.1	5.0	5.3	25.0
OT	3.7	12.1	12.5	13.8	13.8	13.7	69.7
Off-budget:							
BA	−4.4	−0.7	−1.8	−5.0	−2.0	−5.4	−19.4
OT	1.4	2.2	−1.0	0.2	1.8	0.7	5.3
Total:							
BA	−3.1	2.4	2.4	1.1	2.9	−0.1	5.5
OT	5.0	14.3	11.5	14.0	15.6	14.4	75.0
400: Transportation							
BA	4.9	6.7	7.2	6.8	7.0	7.3	39.9
OT	−0.7	−2.3	−3.7	−5.2	−5.6	−6.1	−23.6
450: Community and Regional Development							
BA	−2.7	−4.4	−4.4	−4.4	−4.4	−4.5	−24.7
OT	−0.4	−1.6	−2.5	−3.4	−3.9	−4.4	−16.2
500: Education, Training, Employment and Social Services							
BA	2.0	1.3	2.4	3.2	4.0	4.8	17.6
OT	0.2	−1.6	−1.1	−0.4	0.4	1.1	−1.5
550: Health							
BA	20.5	26.8	33.4	42.2	49.7	56.6	229.3
OT	8.8	14.9	21.1	29.7	36.9	43.8	155.2
570: Medicare							
BA	11.7	24.7	35.4	46.1	58.0	72.3	248.2
OT	12.2	25.1	35.3	46.5	58.5	72.0	249.5
600: Income Security							
BA	12.6	22.6	27.2	45.2	44.7	63.4	215.8

Committee Recommendation Compared to 1996 Levels—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
OT	11.2	16.3	24.1	35.7	39.6	52.2	179.1
650: Social Security:							
On-budget:							
BA	0.9	1.6	2.4	3.1	3.9	4.7	16.7
OT	0.6	1.2	1.9	2.7	3.5	4.3	14.2
Off-budget:							
BA	16.92	34.7	53.5	73.3	94.8	117.3	390.6
OT	16.3	33.6	51.8	71.1	92.0	113.8	378.6
Total:							
BA	17.9	36.4	55.9	76.4	98.7	122.0	407.3
OT	16.8	34.8	53.7	73.8	95.5	118.1	392.8
700: Veterans Benefits							
BA	0.5	0.1	0.2	0.2	0.3	0.5	1.7
OT	1.7	1.5	1.5	2.6	−0.1	1.6	8.8
750: Administration of Justice							
BA	0.7	1.4	2.4	2.3	−1.1	−1.1	4.5
OT	2.9	3.9	4.7	5.3	2.1	2.1	21.0
800: General Government							
BA	1.3	1.1	0.8	0.7	0.8	1.0	5.6
OT	1.0	1.0	0.6	0.4	0.5	0.7	4.2
900: Net Interest:							
On-budget:							
BA	6.4	12.9	16.7	18.2	22.4	27.0	103.6
OT	6.4	12.9	16.7	18.2	22.4	27.0	103.6
Off-budget							
BA	−3.9	−8.3	−13.1	−18.3	−24.1	−30.2	−97.9
OT	−3.9	−8.3	−13.1	−18.3	−24.1	−30.2	−97.9
Total:							
BA	2.4	4.6	3.7	−0.1	−1.7	−3.2	5.7
OT	2.4	4.6	3.7	−0.1	−1.7	−3.2	5.7
920: Allowances							
BA	2.1	0.3	0.1	−0.4	−0.9	−3.4	−2.1
OT	0.9	0.5	0.1	−0.5	−1.0	−3.5	−3.5
950: Undistributed Offsetting Receipts:							
On-budget:							
BA	−8.5	−0.5	0.3	−1.5	−3.3	−4.9	−18.4
OT	−8.5	−0.5	−0.3	−1.5	−3.3	−4.9	−18.4
Off-budget:							
BA	−0.3	−0.7	−1.3	−1.9	−2.4	−3.1	−9.7
OT	−0.3	−0.7	−1.3	−1.9	−2.4	−3.1	−9.7
Total:.							
BA	−8.8	−1.2	−1.0	−3.4	−5.7	−8.1	−28.1
OT	−8.8	−1.2	−1.0	−3.4	−5.7	−8.1	−28.1
Total Spending:							
On-budget:							
BA	51.7	95.1	125.8	166.8	187.0	232.3	858.8
OT	38.1	76.8	105.8	138.6	156.1	190.7	706.0
Off-budget:							
BA	8.3	25.0	37.4	48.0	66.3	78.5	263.5
OT	13.4	26.8	36.5	51.1	67.3	81.2	276.3
Total:							
BA	60.0	120.1	163.2	219.9	253.3	310.8	1122.3
OT	51.1	103.6	142.3	189.7	223.4	271.8	982.4
Revenues:							
On-budget	23.7	67.4	113.6	167.4	227.1	296.6	895.8
Off-budget	19.8	37.1	58.3	79.9	100.0	122.2	417.3
Total	43.6	104.5	171.8	247.4	327.1	418.8	1313.1
Deficit:							
On-budget	−14.4	−9.4	7.8	28.8	71.0	105.9	189.8
Off-budget	6.4	10.3	21.7	28.9	32.7	41.0	141.0
Total	−8.0	0.9	29.5	57.7	103.7	146.9	330.8

PRESIDENT'S BUDGET AS REESTIMATED BY CBO

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense						
BA	254.3	258.5	263.8	270.3	279.4	287.8
OT	260.8	256.3	257.8	263.3	266.6	278.2
150: International Affairs						
BA	15.3	14.5	13.9	14.3	15.6	17.1
OT	15.7	14.9	14.5	13.6	14.1	14.9
250: Science, Space and Technology						
BA	17.9	16.1	15.3	14.6	15.8	17.2
OT	16.9	16.6	16.0	15.1	15.5	16.6
270: Energy						
BA	3.2	3.7	3.0	2.7	3.3	3.6
OT	3.1	2.7	2.3	1.9	2.1	2.1
300: Natural Resources and Environment						
BA	21.9	21.6	21.4	20.9	21.8	23.0
OT	22.2	22.3	22.1	21.5	21.8	22.6
350: Agriculture						
BA	13.0	12.6	12.1	11.2	10.6	10.8
OT	11.1	10.7	10.2	9.4	8.7	8.9
370: Commerce and Housing Credit:						
On-budget:						
BA	8.6	10.3	11.2	12.9	12.1	12.8
OT	−1.9	6.5	6.8	8.1	8.2	8.5
Off-budget:						
BA	1.1	4.7	3.6	0.4	3.4	....
OT	0.7	1.6	−1.7	−0.5	1.1	....
Total:						
BA	9.7	15.0	14.8	13.4	15.5	12.8
OT	−1.2	8.0	5.2	7.6	9.4	8.5
400: Transportation						
BA	42.2	36.2	33.2	30.9	34.2	37.9
OT	39.6	38.6	36.9	34.6	33.7	35.3
450: Community and Regional Development						
BA	9.2	8.8	8.3	7.8	8.7	9.4
OT	10.6	10.3	9.9	9.3	8.7	8.3
500: Education, Training, Employment and Social Services						
BA	53.3	54.5	56.3	58.0	60.7	63.4
OT	51.3	53.7	55.0	56.7	58.9	61.4
550: Health						
BA	136.9	144.4	151.2	158.8	164.9	176.1
OT	136.3	144.8	151.7	159.1	163.9	174.6
570: Medicare						
BA	193.1	209.3	222.6	236.6	252.7	272.3
OT	191.4	207.6	220.3	234.8	250.9	269.9
600: Income Security						
BA	231.6	244.1	255.5	270.1	277.9	293.8
OT	239.0	247.1	256.5	269.6	275.7	290.1
650: Social Security:						
On-budget:						
BA	7.8	8.5	9.2	10.0	10.8	11.6
OT	10.9	11.6	12.3	13.0	13.9	14.8
Off-budget:						
BA	364.6	382.5	401.2	421.0	442.5	465.0
OT	357.6	374.9	393.1	412.4	433.3	455.2
Total:						
BA	372.5	390.9	410.4	431.0	453.3	476.6
OT	368.5	386.5	405.4	425.5	447.2	470.0
700: Veterans Benefits						
BA	39.0	37.9	36.6	35.2	37.3	39.7
OT	39.6	38.7	37.0	37.1	36.0	39.8
750: Administration of Justice						
BA	23.5	24.5	25.5	25.5	24.8	24.1
OT	21.2	24.4	24.8	25.5	25.7	25.0

PRESIDENT'S BUDGET AS REESTIMATED BY CBO—Continued

[In billions of dollars]

		1997	1998	1999	2000	2001	2002
800: General Government							
BA	15.5	15.2	15.2	15.3	15.8	16.3	
OT	14.8	14.9	14.9	15.2	15.3	16.0	
900: Net Interest:							
On-budget:							
BA	282.3	289.4	293.9	296.6	301.8	307.3	
OT	282.3	289.4	293.9	296.6	301.8	307.3	
Off-budget:							
BA	−40.6	−44.9	−49.7	−55.0	−60.7	−66.9	
OT	−40.6	−44.9	−49.7	−55.0	−60.7	−66.9	
Total:							
BA	241.8	244.5	244.3	241.6	241.0	240.4	
OT	241.8	244.5	244.3	241.6	241.0	240.4	
920: Allowances							
BA	−0.5	−0.0	−0.0	−0.0	−12.9	−36.8	
OT	−0.5	−0.0	−0.0	−0.0	−16.5	−36.8	
950: Undistributed Offsetting Receipts:							
On-budget:							
BA	−43.3	−35.4	−35.1	−38.2	−41.0	−62.2	
OT	−43.3	−35.4	−35.1	−38.2	−41.0	−62.2	
Off-budget:							
BA	−6.6	−7.0	−7.5	−8.2	−8.7	−9.4	
OT	−6.6	−7.0	−7.5	−8.2	−8.7	−9.4	
Total:							
BA	−50.0	−42.4	−42.6	−46.4	−49.7	−71.6	
OT	−50.0	−42.4	−42.6	−46.4	−49.7	−71.6	
Total Spending:							
On-budget:							
BA	1325.0	1374.6	1413.0	1453.6	1494.1	1525.3	
OT	1321.0	1375.7	1407.9	1446.0	1463.9	1495.4	
Off-budget:							
BA	318.6	335.3	347.6	358.3	376.5	388.7	
OT	311.1	324.6	334.2	348.8	365.0	378.8	
Total:							
BA	1643.6	1709.9	1760.6	1811.8	1870.7	1914.0	
OT	1632.1	1700.2	1742.2	1794.8	1828.9	1874.2	
Revenues:							
On-budget	1092.4	1146.4	1195.6	1244.6	1309.4	1389.9	
Off-budget	385.0	402.3	423.4	445.1	465.2	487.3	
Total	1477.4	1548.7	1619.0	1689.7	1774.5	1877.3	
Deficit:							
On-budget	−228.5	−229.3	−212.3	−201.4	−154.5	−105.5	
Off-budget	73.9	77.7	89.2	96.3	100.1	108.5	
Total	−154.7	−151.6	−123.2	−105.1	−54.4	3.1	

President Compared to Committee Recommendation

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
050: National Defense:							
BA	−11.2	−8.5	−5.7	−1.5	5.1	10.9	10.9
OT	−3.0	−5.8	−7.4	−5.4	−0.9	11.0	11.5
150: International Affairs:							
BA	1.2	1.9	2.3	2.2	3.2	4.4	−15.1
OT	0.8	1.3	2.0	2.2	2.6	3.4	−12.3
250: Science, Space and Technology:							
BA	1.4	0.0	−0.4	−0.8	0.3	1.6	−2.2
OT	0.2	0.3	0.1	−0.4	−0.0	1.0	−1.2
270: Energy:							
BA	0.4	0.9	0.4	0.2	0.7	1.2	−3.7
OT	0.3	0.5	0.5	0.3	0.5	0.9	−2.9

President Compared to Committee Recommendation—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
300: Natural Resources and Environment:							
BA	1.6	1.6	1.6	14	2.4	3.6	N12.2
OT	0.8	1.4	1.4	1.4	2.2	3.3	−10.4
350: Agriculture:							
BA	0.5	0.1	−0.1	−0.3	−0.1	0.6	−0.8
OT	0.3	0.2	−0.0	−0.3	−0.0	0.4	−0.7
370: Commerce and Housing Credit.							
On-budget:							
BA	1.0	0.7	0.5	0.4	0.7	1.1	−4.3
OT	0.8	0.8	0.7	0.6	0.8	1.2	−4.9
Off-budget:							
BA	0.0	0.0	0.0	−0.0	−0.0	....	−0.1
OT	0.0	0.0	0.0	....	0.0	....	−0.1
Total:							
BA	1.0	0.7	0.5	0.4	0.7	1.1	−4.4
OT	0.8	0.8	0.7	0.6	0.8	1.2	−4.9
400: Transportation:							
BA	0.7	−7.1	−10.6	−12.6	−9.5	−6.0	45.2
OT	0.9	1.7	1.2	0.5	−0.1	2.1	−6.4
450: Community and Regional Development:							
BA	0.8	2.1	1.6	1.1	2.0	2.8	−10.3
OT	−0.1	0.8	1.3	1.6	1.5	1.6	−6.7
500: Education, Training, Employment and Social Services:							
BA	3.5	5.4	6.1	7.1	8.9	10.8	−41.9
OT	0.5	4.8	5.6	6.5	8.0	9.8	−35.1
550: Health:							
BA	5.8	6.9	7.2	6.0	4.7	8.9	−39.5
OT	4.5	6.9	7.6	6.4	4.0	7.9	−37.4
570: Medicare:							
BA	0.2	3.4	5.9	9.2	13.4	18.8	−50.8
OT	0.2	3.4	5.9	9.2	13.4	18.8	−50.8
600: Income Security:							
BA	−0.4	2.2	8.9	5.6	13.9	11.0	−41.1
OT	−1.1	1.9	3.5	5.0	7.3	9.0	−25.6
650: Social Security:							
On-budget:							
BA	0.0	0.0	0.0	0.0	0.0	0.0	−0.0
OT	0.3	0.4	0.3	0.4	0.4	0.5	−2.4
Off-budget:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
Total:							
BA	0.0	0.0	0.0	0.0	0.0	0.0	−0.0
OT	0.3	0.4	0.3	0.4	0.4	0.5	−2.4
700: Veterans Benefits:							
BA	0.0	−0.7	−2.1	−3.5	−1.5	0.7	7.0
OT	0.0	−0.5	−2.3	−3.3	−1.7	0.4	7.3
750: Administration of Justice:							
BA	1.9	2.2	2.1	2.2	4.9	4.3	−17.6
OT	0.7	2.7	2.4	2.5	5.9	5.2	−19.4
800: General Government:							
BA	1.7	1.5	1.8	2.1	2.5	2.8	−12.6
OT	1.2	1.3	1.7	2.1	2.1	2.6	−10.9
900: Net Interest:							
On-budget:							
BA	−0.3	0.1	0.9	2.0	3.1	4.0	−9.9
OT	−0.3	0.1	0.9	2.0	3.1	4.0	−9.9
Off-budget:							
BA	....	....	....	....	....	....	0.0
OT	....	....	....	....	....	....	0.0
Total:							
BA	−0.3	0.1	0.9	2.1	3.1	4.0	−9.8

President Compared to Committee Recommendation—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002	Total
OT	−0.3	0.1	0.9	2.1	3.1	4.0	−9.8
920: Allowances:							
BA	−2.4	−0.1	0.1	0.6	−11.9	−33.2	46.9
OT	−1.4	−0.4	−0.0	0.5	−15.5	−33.2	50.0
950: Undistributed Offsetting Receipts:							
On-budget:							
BA	0.4	0.3	−0.2	−1.5	−2.5	−22.1	25.6
OT	0.4	0.3	−0.2	−1.5	−2.5	−22.1	25.6
Off-budget:							
BA	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....
Total:							
BA	0.4	0.3	−0.2	−1.5	−2.5	−22.1	25.6
OT	0.4	0.3	−0.2	−1.5	−2.5	−22.1	25.6
Total Spending:							
On-budget:							
BA	6.6	12.8	20.4	20.0	40.4	26.3	−126.6
OT	6.0	22.0	25.3	30.5	30.9	27.8	−142.3
Off-budget:							
BA	0.0	0.0	0.0	0.0	0.0	−0.0	−0.0
OT	0.0	0.0	0.0	0.0	0.0	−0.0	−0.0
Total:							
BA	6.6	12.9	20.5	20.0	40.4	26.2	−126.6
OT	6.0	22.0	25.3	30.5	30.9	27.7	−142.4
Revenues:							
On-budget	6.2	16.5	19.5	14.6	19.8	30.8	−107.4
Off-budget	....	....	....	....	....	....	....
Total	6.2	16.5	19.5	14.6	19.8	30.8	−107.4
Deficit:							
On-budget	0.2	−5.5	−5.8	−15.9	−11.1	3.0	35.0
Off-budget	−0.0	−0.0	−0.0	−0.0	−0.0	0.0	0.0
Total	0.2	−5.5	−5.8	−15.9	−11.1	3.1	35.0

CREDIT TOTALS IN COMMITTEE RECOMMENDATION BY FUNCTION

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Function 050:						
Direct loans	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed loans	0.8	0.2	0.2	0.2	0.2	0.2
Function 150:						
Direct loans	4.3	4.3	4.4	4.3	4.4	4.4
Guaranteed loans	18.1	18.3	18.3	18.3	18.4	18.4
Function 270:						
Direct loans	1.0	1.0	1.0	1.0	1.0	1.0
Guaranteed loans	0.0	0.0	0.0	0.0	0.0	0.0
Function 300:						
Direct loans	0.1	0.1	0.1	0.1	0.1	0.1
Guaranteed loans	0.0	0.0	0.0	0.0	0.0	0.0
Function 350:						
Direct loans	7.8	9.3	10.7	10.7	10.6	10.6
Guaranteed loans	5.9	6.6	6.6	6.7	6.6	6.7
Function 370:						
Direct loans	1.9	1.8	1.8	1.8	1.7	1.7
Guaranteed loans	197.3	196.8	196.3	195.9	195.4	194.9
Function 400:						
Direct loans	0.1	0.1	0.1	0.1	0.1	0.1
Guaranteed loans	0.0	0.0	0.0	0.0	0.0	0.0
Function 450:						
Direct loans	1.2	1.2	1.3	1.3	1.3	1.3
Guaranteed loans	2.1	2.1	2.2	2.2	2.2	2.2

CREDIT TOTALS IN COMMITTEE RECOMMENDATION BY FUNCTION—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Function 500:						
Direct loans	16.2	16.2	16.2	16.2	16.2	16.2
Guaranteed loans	15.5	17.6	19.4	21.3	23.1	25.0
Function 550:						
Direct loans	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed loans	0.2	0.1	0.0	0.0	0.0	0.0
Function 700:						
Direct loans	0.9	1.0	1.0	1.0	1.2	1.2
Guaranteed loans	26.4	25.9	25.4	24.9	24.3	23.7
Function 950:						
Direct loans	7.9	1.4	0.0	0.0	0.0	0.0
Guaranteed loans	0.0	0.0	0.0	0.0	0.0	0.0
Grand total:						
Direct loans	41.4	36.4	36.6	36.5	36.6	36.6
Guaranteed loans	267.1	267.8	268.6	269.7	270.4	271.3

V. Budget Resolution: Enforcement, Reconciliation, and Other Issues

Prior to 1974, the President was the dominant player in setting national budget priorities. Congress reasserted its role over the budget through the enactment of the Congressional Budget Act of 1974 (the Budget Act). The Budget Act established budget procedures and internal enforcement mechanisms to ensure effective Congressional control over fiscal policy and the budgetary process.

A. CONTENTS OF THE BUDGET RESOLUTION

The focus of the Congressional budget process is the concurrent resolution on the budget (the budget resolution), which plays the central role in setting and enforcing Congressional budget priorities. Under the Congressional Budget Act of 1974, as amended, the budget resolution is privileged and is considered under expedited procedures. Because such procedures are unusual in the Senate, section 301 places constraints on the budget resolution by setting forth the elements that must be contained in the budget resolution and those elements that may be included at the discretion of the Budget Committees.

Aggregates and functional levels

Section 301(a) of the Budget Act requires the budget resolution to set forth the aggregate levels of new budget authority, outlays, revenues, the deficit (or surplus), and the public debt, among others. The aggregate amounts of new budget authority and outlays are then required to be divided and set forth for each major functional category. (Functional categories classify the budgetary resources of programs into categories according to the national need addressed, e.g. Defense, International Affairs, Health, General Government, etc). The budget resolution is also required to set forth the outlays and revenues of the Old-Age and Survivors Insurance and the Disability Insurance (OASDI) Trust Funds. These aggregates, functional levels, and other amounts required under section

301 can be found in sections 101 through 105 of the fiscal year 1997 budget resolution.

Social Security

As discussed below, the fiscal year 1997 budget resolution complies with the Budget Enforcement Act of 1990 and with all of the restrictions on Social Security trust funds under section 301 of the Budget Act.

The Social Security "Firewall"

The budget process in general, and thus all congressional budget resolutions, provide special treatment and several critical protections for the Social Security spending, revenues, and surpluses. These protections derive from both the process by which a budget resolution is created and the subsequent enforcement thereof by virtue of supermajority points of order.

The Budget Enforcement Act (BEA) of 1990 took Social Security off-budget for purposes of both a congressional budget resolution and the President's submission (see section 13301) and provided several protections for the Social Security surplus (see sections 13302 and 13303). First, the Congressional Budget Act was amended such that a budget resolution is prohibited from including the receipts or disbursements in the budget deficit totals (see section 301(a)). Second, the Budget Act was amended to prohibit the consideration of a budget resolution that would decrease the surplus in any of the years covered by the resolution (see section 301(i)). The fiscal year 1993 and 1994 budget resolutions made this prohibition applicable against floor amendments to the budget resolution, this restriction continues to apply as a rule of the Senate. Lastly, the BEA requires the budget resolution to set aggregate levels of Social Security outlays and revenues that are enforced through the existing provisions of the Budget Act that prohibit consideration of legislation that breaches the outlay ceiling or revenue floors (see section 311(a)(2)), or that breaches a committee's allocation of outlay levels (see section 302(f)(2)). Any legislation that would violate these prohibitions is subject to a point of order that may be waived only on an affirmative vote of sixty (60) senators.

Social Security's treatment in the budget

Since enactment of the BEA in 1990, every Congressional budget resolution has—as required by law—excluded Social Security from the levels of revenues, outlays, and deficits set forth in the resolutions. These budget resolutions have—as required by law—specified separately the amount of Social Security revenue and Social Security outlays provided for the budget period covered by the resolution because these levels are necessary for enforcing the Social Security "firewall" protections in the Senate.

The President's budget is also required by the BEA to exclude Social Security from estimates of revenues, outlays, or the deficit. Since 1990, all of the President's budgets that have been sent to Congress have included estimates of the on-budget deficit, which excludes Social Security.

In practice, both the legislative and executive branches highlight the "total deficit" in budget discussions and informal and formal budget presentations. The total deficit, or unified budget deficit, includes the on-budget totals and Social Security. Every President's budget submitted since 1990 and every budget resolution adopted by Congress since 1990 has highlighted the total deficit in summary tables accompanying the official budget presentations.

In fact, during deliberations on balancing the budget in 2002, every major proposal offered by Republicans and Democrats to reach balance in 2002 included Social Security in the deficit estimates that were highlighted in the supporting documents. For instance:

The conference report on the 1996 budget resolution showed the on-budget deficit estimates, the off-budget surpluses, and the total deficit estimates in summary tables accompanying the text of the resolution (see House Report 104–159, pp. 42–44).

The President's budget proposals in January 1995, June 1995, January 1996, and March 1996 all highlight the total deficit in summary tables sent to the Congress (see Table S–1, *Budget of the United States Government, Fiscal Year 1996,* p. 173; *The President's Economic Plan: A Balanced Budget that Puts People First,* June 1995; "Deficit Reduction and Balanced Budget by Fiscal Year 2002," Message from the President of the United States, January 9, 1996, H. Doc. 104–160, Pt. 1, p. 4; Table S–2, *Budget Supplement, Budget of the United States Government, Fiscal Year 1997,* p. 142).

Senators Daschle and others released a proposal in January 1996 with a document called the "Senate Democrats' Balanced Budget Highlights". This document claimed the proposal "Balanced the budget in 7 years using CBO estimates", and provided a chart showing the plan would eliminate the total budget deficit, which includes Social Security, by 2002.

The total deficit remains an important measure in budget discussions because it clearly identifies the amount of additional borrowing from the public required annually by the federal government. Indeed, at some point, the Treasury must calculate the expected total deficit for a year to determine how much it needs to borrow from the public. In addition, this information is central to understanding the impact of fiscal policy on the nation's economy, and thus is crucial for sound analysis and assessment of alternative federal spending and tax policy. The additional amount the government borrows from the public has important implications for net national savings, overall investment, interest rates, inflation, and economic growth. No other approach to calculating the federal budget deficit can be translated directly into the government's additional borrowing needs, and therefore no other measure can fully substitute for the total, or unified, budget deficit.

Additional protections for the Social Security surplus

In addition to the protection afforded by the "firewall", Congress has enacted other provisions to provide special treatment for the Social Security program within the budget process. For example:

In the context of a reconciliation measure (including amendments thereto and a conference report thereon), section 310(g) prohibits the inclusion of recommendations with respect to Social Security. Moreover, section 313(b)(1)(f) provides that a provision which violates 310(g) will be extraneous for purposes of the "Byrd Rule". Both sections create points of order which may be waived only by an affirmative vote of sixty (60) Senators.

Section 422(7), which was added by the Unfunded Mandates Act, specifically excludes provisions which relate to the Social Security program from that law's scrutiny.

Section 255(a) of Gramm-Rudman-Hollings exempts benefits payable pursuant to the Social Security program (as well as those under the Railroad Retirement Act) from reductions arising from a sequestration order.

Additional matters that may be in budget resolutions

Section 301(b) sets forth those elements that may be included in the budget resolution at the discretion of the Budget Committees. One of these elements is reconciliation instructions described in section 310 of the Budget Act. Periodically, Congress may adopt a budget resolution that will require changes in the projected levels of direct spending or revenues under current law. In order to implement that budget resolution, the differences between current law and the budget resolution must be reconciled and the budget resolution will, therefore, contain "reconciliation instructions". (See Reconciliation below).

In addition to the aggregates, functional levels, and the reconciliation instructions, section 301(b) of the Budget Act permits the budget resolution to include "other matters, and [to] require other procedures relating to the budget as are appropriate to carry out [the Budget] Act." This section has been the authority to include language amending the budget process, creating new enforcement mechanisms, and clarifying the application of existing provisions of the Budget. Such language may be temporary or permanent, and may affect only the Senate or may affect both Houses of Congress. The fiscal year 1997 budget resolution establishes discretionary caps for defense and non-defense spending, establishes two "reserve funds" for deficit-neutral legislation, and clarifies the budget scoring treatment of certain transactions. (See Part VI, Miscellaneous Provisions, of this report).

Other constraints on the budget resolution

Subsection (g) of section 301 and other sections of the Budget Act place restrictions on the budget resolution that are enforceable through points of order. Section 301(g) prohibits the consideration of a budget resolution (or an amendment thereto) that is based on more than one set of economic assumptions. The fiscal year 1997 budget resolution complies with this requirement (See Part II, Economics, of this report). Section 601(b) prohibits the consideration of a budget resolution (or an amendment thereto) that would exceed the discretionary spending limits set forth in section 601(a). The budget resolution meets this requirement and extends these discretionary caps in a separate provision in the fiscal year 1997 budget resolution (See Part VI, Miscellaneous Provisions, of this report). Lastly, section 305(d) prohibits the Senate from voting on a budget resolution that is not mathematically consistent.

In addition to points of order against the budget resolution that were established in the Budget Act, previously passed budget resolutions contain enforcement provisions against budget resolutions. For instance, section 24 of the fiscal year 1995 budget resolution (H. Con. Res. 218) contains the Exon-Grassley provision. This language reduced for purposes of considering future budget resolutions the then existing discretionary spending limits under section 601(a) of the Budget Act for an additional amount for each fiscal year, 1995 through 1998. The statutory spending limits remain unchanged. In addition, Exon-Grassley created a point of order against a budget resolution for fiscal years 1996, 1997, 1998 that recommends discretionary spending levels in the first year of the resolution that exceed the Exon-Grassley levels. Both the fiscal year 1996 budget resolution and this resolution comply with this requirement and contain discretionary caps for fiscal years 1997 through 2002 that reduce the discretionary caps to levels below the Exon-Grassley reductions and, thereby, superseding the Exon-Grassley levels.

Crime trust fund

The Violent Crime Control and Law Enforcement Act of 1994 (the Crime Act) established the Violent Crime Reduction Trust Fund (the Fund). The Crime Act allocated funds to the Trust Fund each year through fiscal year 2000 and those funds are available to be appropriated for crime programs authorized in that Act. The Fund was established as a separate discretionary category whose activities are excluded from the discretionary spending caps under existing law. The fiscal year 1997 budget resolution includes the new budget authority and outlays associated with the Fund in the aggregates and function levels in the budget resolution, but exclude them from the discretionary caps set forth in section 201 of the resolution.

B. ENFORCEMENT

As explained above, the budget resolution sets forth the aggregate levels of new budget authority, outlays and revenues. Sections 302(a) and 602(a) of the Budget Act require the joint statement of managers accompanying the conference report on the budget resolution to allocate the aggregate levels of new budget authority, outlays, and Social Security outlays among the Senate committees, based on each committee's jurisdiction over legislation providing such budgetary resources. The budget authority and outlays associated with direct spending programs are allocated to the appropriate authorizing committees for the first year and the sum of the five fiscal years in the budget resolution. The budget authority and outlays associated with discretionary programs are allocated to the Appropriations Committee for the first fiscal year in that resolution. Section 602(b) of the Budget Act requires the Appropriations Committee to suballocate that amount.

The aggregate spending levels, the revenue floors, and the committee allocations contained in the budget resolution form the parameters within which Congress considers spending and revenue legislation that affect the fiscal years covered by that resolution. The Budget Act, generally, prohibits the consideration of legislation that would cause the appropriate levels or allocations to be breached.

Section 311

In order to determine whether a particular piece of legislation would breach any of the appropriate levels or allocations, the Senate Budget Committee tracks and reports to the Senate on the cumulative effect of spending and revenue legislation that has been enacted. These "Current Level Reports" are printed in the *Congressional Record* at least monthly and form the basis against which the budgetary effects of legislation under consideration in the Senate are measured. If the new budget authority provided in, or the outlays resulting from, the legislation (together with the cumulative spending effects of previously enacted legislation) would exceed the aggregate level of new budget authority or outlays in the budget resolution for the first year, that legislation would be subject to a point of order under section 311 of the Budget Act. If the revenue loss resulting from legislation (together with the cumulative revenue effects of previously enacted legislation) would cause revenues to be less that the aggregate level of revenues in the budget resolution that legislation would be subject to a point of order under section 311. The revenue aggregate is enforced in the first year and for total of the first year and the four succeeding fiscal years. Section 311 may be waived only on an affirmative vote of sixty (60) Senators.

Section 302

Similarly, the budgetary effects of each bill, amendment, and conference report is assigned to the committee of jurisdiction. The cumulative effects of a committee's legislation that is enacted is tracked by the Senate Budget Committee and compared to that committee's allocation contained in the joint statement of managers on the budget resolution. Any legislation that would cause the committee to exceed its allocation for the first fiscal year or the total of five fiscal years would be subject to a point of order under section 302(f) of the Budget Act. That provision may be waived only on an affirmative vote of sixty (60) Senators.

The surplus in the Social Security trust funds is protected separately through the aggregate and allocation procedures under the Budget Act. The budget resolution sets aggregate levels of Social Security outlays and revenues that are enforced through the existing provisions of the Budget Act that prohibit consideration of legislation that breaches the outlay ceiling or revenue floors, or that breaches the committee allocation of outlay levels.

Other sections

Pay-as-you-go

In addition to points of order that were established in the Budget Act, subsection 12(c) of the 1994 budget resolution (H. Con. Res. 64) established a pay-as-you-go point of order in the Senate that prohibited consideration of legislation that would cause an increase in the deficit over a ten year period. The 1995 budget resolution (H. Con. Res. 218) modified and extended this point of order to provide that legislation was out of order if it caused a deficit increase in the first year covered by the budget resolution, the sum of the first five years covered by the budget resolution, and the sum of the five years following the first five year period. This provision was modified slightly to eliminate the ability of Congress to use prior surpluses as an offset for legislation which would increase the deficit and was extended to 2002 in the fiscal year 1996 budget resolution. The "pay-as-you-go" provision may be waived only by the affirmative vote of sixty (60) Senators.

SALE OF GOVERNMENT ASSETS

In 1987, the Congress adopted a change in the scoring of legislation to provide that the proceeds from assets sales should not be taken into account for budget enforcement purposes. Section 257(e) of the Balanced Budget and Emergency Deficit Control Act prohibits the scoring of the proceeds from asset sales. This rule blocked privatization efforts and other reforms that would shift activities to the private sector or other non-federal entities that can more appropriately or more efficiently manage these assets. The President's 1997 budget proposed $3.9 billion in proceeds from asset sales (his 1996 budget proposed $8 billion in proceeds from assets sales and also proposed a change in the asset sale scoring rule to allow the proceeds from these asset sales to be scored).

Section 206 of the fiscal year 1996 budget resolution provided that for the purposes of the Budget Act and budget resolutions the proceeds from asset sales will be scored. The Committee continues to be concerned about the long-term budgetary impact of asset sales and does not support asset sales that would cost the Federal government money in the long run. The Committee plans to consider a new scoring rule that would take into account the long-term budgetary impact of asset sales.

Credit Reform and Student Loans

The 1990 Federal Credit Reform Act modified the budgetary treatment of Federal credit programs to take into account the long-term cost of Federal credit activities. More specifically, this law required the cost of direct loans and guaranteed loans to be measured by taking the net present value of the cash flows over the life of the direct loan or loan guarantee.

Under credit reform, several disparities have arisen in the scoring of student loans. Section 207 of the fiscal year 1996 budget resolution corrected a portion of the problem associated with the budgetary treatment of administrative expenses. For direct student loans, the administrative costs are measured on a cash basis, with the budget reflecting only that year's cost of administering the loan. For guaranteed student loans, the administrative costs are measured on a net present value basis for the entire length of the loan. The result is that direct lending appears to be much less expensive than guaranteed student lending. Both the Congressional Research Service and the Congressional Budget Office have acknowledged the bias that this treatment of administrative expenses has created. This correction has put the measurement of administrative expenses on equal footing for legislation expanding direct student loans. More specifically, it provides that for the purposes of Congressional scoring, the administrative cost for new direct student loans will be measured on a net present value basis.

Extension of Budget Act 60-vote Enforcement

Under current law, the three-fifths requirement in the Senate to waive many of the Budget Act's points of order is permanent. The 1995 concurrent resolution on the budget provided a 1998 sunset date for the three-fifths waiver requirement for many of these points of order. The fiscal year 1996 budget resolution extended the sunset date through September 30, 2002. This did not affect section 313 of the Budget Act (the Byrd rule) and this three-fifths waiver requirement for this point of order remains permanent.

Committee allocations

Section 301(e)(9) of the Budget Act requires the written report accompanying the budget resolution to include allocations of the aggregate levels to the appropriate Senate committees in accordance with section 302(a). Accordingly, the committee allocations are shown below:

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR FISCAL YEAR 1997

[In millions of dollars]

Committee	Direct spending jurisdiction	Entitlements funded in annual appropriations		
	Budget authorit÷y	Budget authority	Outlays	Outlays
Appropriations	785,988	826,355	....	....
Appropriations (Violent Crime Trust Fund)	5,000	4,213	....	....
Agriculture, Nutrition, and Forestry	7,942	4,888	8,074	6,498
Armed Services	41,588	41,429	....	....
Banking, Housing, and Urban Affairs	5,881	−5,545	....	....
Commerce, Science, and Transportation	7,429	4,799	605	602
Energy and Natural Resources	150	228	52	54
Environment and Public Works	23,969	3,201	....	....
Finance	1,002,628	992,873	131,144	131,212
Foreign Relations	11,429	12,859	....	....
Governmental Affairs	55,330	53,855	....	....
Judiciary	3,929	3,873	234	234
Labor and Human Resources	5,550	5,055	1,412	1,412
Rules and Administration	95	25	....	....
Veterans Affairs	1,432	1,577	19,514	19,559
Select Indian Affairs	392	362	....	....
Small Business	3	−296	....	....
Not allocated to committees	−321,730	−323,911	....	....
Total	1,636,975	1,625,840	161,035	159,571

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FIVE-YEAR TOTAL: 1997–2001

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	37,277	22,474	58,707	25,289
Armed Services	223,457	222,807	....	....
Banking, Housing, and Urban Affairs	35,375	−16,767	....	....
Commerce, Science, and Transportation	31,889	18,064	3,352	3,334
Energy and Natural Resources	5,479	5,386	252	276
Environment and Public Works	128,524	10,862	....	....

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FIVE-YEAR TOTAL: 1997–2001—Continued

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authority	Outlays
Finance	5,401,852	5,347,818	714,467	714,749
Foreign Relations	50,945	56,772	....	....
Governmental Affairs	307,838	290,142	....	....
Judiciary	19,705	19,396	1,173	1,173
Labor and Human Resources	31,010	28,624	7,499	7,499
Rules and Administration	486	402	....	....
Veterans Affairs	5,088	6,421	101,620	101,502
Select Indian Affairs	1,965	1,832	....	....
Small Business	9	−1,264	....	....

C. RECONCILIATION

As stated earlier, Congress may adopt a budget resolution that will require changes in the projected levels of direct spending or revenues under current law. Under these circumstances, the Budget Committee may include "reconciliation instructions" in the budget resolution in order to implement the budget resolution. Section 310 of the Budget Act specifies the form of the instructions and sets forth the reconciliation process and procedures.

Instructions and procedure

When the budget resolution contains reconciliation instructions, the Budget Committee specifies, to each committee to be reconciled, the total amount by which direct spending or revenues under existing laws is to be changed. The Committee may also specify the total amount by which the statutory limit on the public debt is to be changed. Each committee is then instructed to recommend the appropriate legislative changes to meet the instructions and to report those recommendations to the Senate Budget Committee by a specified date. Once the budget resolution is adopted in identical form in both Houses, the reconciliation instructions become binding.

Upon receipt of each committee's recommendations (report language and CBO cost estimates) the Senate Budget Committee consolidates the legislative language into a single piece of legislation and reports it to the Senate, without substantive change. Section 310 of the Budget Act establishes expedited procedures for the consideration of this omnibus budget reconciliation legislation. In the Senate, debate on the reconciliation measures is limited to 20 hours. All amendments must be germane and may not cause a net increase in outlays or a net reduction in revenues if the adoption of the amendment would cause the committee to violate its reconciliation instructions. A motion to strike a provision, regardless of its effect on the deficit, is always in order. These provisions require the vote of sixty (60) Senators to waive. The same requirements concerning mathematical consistency that apply to budget resolutions apply to reconciliation measures; however, this requirement may be waived on a majority vote.

The "Byrd" Rule

The "Byrd Rule" is codified in section 313 of the Budget Act and prohibits the inclusion of matter in a reconciliation measure, or an amendment thereto, that is extraneous to the conciliation instructions. If the Presiding Officer sustains a point of order under the Byrd Rule, that provision is stricken from the measure and may not be offered as an amendment from the floor. The Byrd Rule may be waived only on an affirmative vote of sixty (60) Senators.

A provision is extraneous if it (1) produces no change in outlays or revenues, (2) increases the deficit, if the reporting committee fails to meet its instruction, (3) is not in the jurisdiction of the committee reporting it, (4) produces changes in outlays or revenues that are "merely incidental" to the non-budgetary components of the provision, (5) increases the deficit in any year beyond the years reconciled and such increase is not offset by other provisions in the same title, or (6) changes the OASDI program under title II of the Social Security Act.

Reconciliation instructions to the Senate committees

Pursuant to section 310(b)(2), the fiscal year 1997 budget resolution includes instructions to the various Senate authorizing committees. The resolution recommends that committees be reconciled for 1 and 6 years through a three-step interdependent reconciliation process. First, two committees (Agriculture and Finance) are instructed to report their recommended changes in law to the Senate Budget Committee by June 14, 1996. If this first bill is enacted into law then all authorizing committees are instructed to report their recommended changes in law to the Budget Committee by July 12, 1996. Finally, if both the first and second bills are enacted into law, the Committee on Finance is instructed to recommend changes in law to the Senate by September 18, 1996. The instructions set targets for fiscal year 1997, and fiscal years 1997 through 2002.

Congress has included reconciliation instructions in past budget resolutions calling for more than one piece of legislation and instructions to committees to increase the deficit. For instance, the budget resolution for fiscal year 1994 (H. Con. Res. 64) which implemented President Clinton's first budget provided for two reconciliation bills: a debt limit bill and an omnibus bill. The budget resolution for fiscal year 1983 (S. Con. Res. 92) provided for: an omnibus reconciliation bill with committees instructed to report by July 20, 1982 and for the Committee on Finance to report additional changes by July 12, 1982. Again in H. Con. Res. 64 for fiscal year 1994, the House Agriculture committee was reconciled for outlay increases for fiscal years 1994 through 1998. In addition, the budget resolution for fiscal year 1996 included an instruction to the Committee on Finance to reduce revenues.

The Committee also notes that separate reconciliation bills allow for more time for consideration on the Senate floor. Rather than having just 20 hours of debate on a single bill and 10 hours of debate on a conference report, this 3-step process would permit up to 60 hours of debate on the bills and 30 hours of debate on the conference reports. Moreover, in separating the committee's balanced budget proposal into manageable issues, Senators are permitted to address their specific concerns to the issues contained in each bill.

RECONCILIATION BY SENATE COMMITTEE

[In billions of dollars]

Committee		1997	1998	1999	2000	2001	2002	Total
First Spending Reconciliation:								
Agriculture, Nutrition, and Forestry.	OT	−2.0	−4.2	−5.0	−5.5	−6.1	−6.6	−29.4
Finance	OT	0.3	−7.1	−13.3	−17.6	−24.1	−33.6	−95.4
Subtotal	OT	−1.7	−11.3	−18.3	−23.1	−30.1	−40.2	−124.8
Second Spending Reconciliation:								
Agriculture, Nutrition, and Forestry.	OT	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.3
Armed Services	OT	−0.1	−0.1	−0.1	−0.1	−0.2	−0.2	−0.6
Banking, Housing, and Urban Affairs.	OT	−3.6	−0.2	−0.0	−0.1	−0.1	−0.5	−3.6
Commerce, Science, and Transportation.	OT	....	−1.4	−2.6	−4.4	−5.2	−5.6	−19.4
Energy and Natural Resources	OT	−0.1	−0.3	−0.2	−0.2	−0.3	−0.3	−1.4
Environment and Public Works	OT	−0.1	−0.3	−0.5	−0.5	−0.4	−0.4	−2.2
Finance	OT	−6.7	−12.8	−22.2	−32.2	−42.6	−53.2	−169.7
Governmental Affairs	DR	−1.0	−1.5	−2.0	−1.5	−1.5	−1.5	−8.8
Judiciary	OT	....	....	−0.1	−0.1	−0.1	−0.1	−0.5
Labor and Human Resources	OT	−0.7	−0.3	−0.5	−0.5	−0.5	−0.6	−3.1
Veterans Affairs	OT	−0.2	−0.2	−1.1	−1.2	−1.2	−1.4	−5.2
Subtotal	DR	−12.5	−16.7	−29.3	−40.8	−52.0	−63.8	−214.8
Total Spending reconciliation	DR	−14.2	−28.0	−47.6	−63.9	−82.1	−104.0	−339.6
Revenue Reconciliation:								
Finance	Rev	14.3	19.2	22.8	22.4	22.0	15.4	116.1
Finance	OT	−1.7	−1.7	−1.8	−1.9	−2.1	−2.3	−11.5
Subtotal	DR	12.6	17.4	21.0	20.5	20.0	13.1	104.6

Note.—OT=outlays, Rev=revenues, DR=deficit reduction.

D. OTHER ISSUES

Federal aid to State and local governments

The Committee recommendation includes as one of its objectives the return of programs to the States.

A balanced budget will benefit States and local governments by lowering interest rates, increasing economic growth, and increasing the standard of living of the American people.

The major assumptions in the Committee recommendations for Federal assistance to States and local governments are as follows:

$731.4 billion would be spent on the Federal Medicaid program over the next six years, with an average growth rate of 6.4 percent.

$573 billion would be spent on programs to assist low income Americans. The resolution assumes that certain welfare programs and housing programs will be returned to states in the form of block grants. It is assumed that other programs will be reformed to give states and local governments more flexibility over program implementation.

Funding would be maintained for major education and social services programs serving disadvantaged populations including:

Chapter 1, Head Start, Special Education, Pell Grants, and the Community Services Block Grant program. The increased funding for labor, health, and human services programs contained in the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (OCR '96) would be accommodated in this resolution.

Other issues

Because the goal of this resolution is to achieve a balanced budget in 2002 in a manner that generates economic dividends, the Budget committee discourages other committees from attempting to meet their reconciliation instructions with changes that only appear to reduce the deficit (through timing changes or other artifices) rather than changes with real economic effects. For example, the 1993 budget reconciliation bill included a provision directing the Federal Reserve to transfer $213 million from its surplus capital account to the Treasury over 1997 and 1998. Because the Federal Reserve is not included in the unified budget, the slated transfer was counted as savings for reconciliation purposes even though there is general agreement that the transfer is a timing gimmick, acts like an intragovernmental transfer, and leaves the private sector and the rest of the economy unaffected. The Congressional Budget Office concurs with the committee that such a transfer has no real economic impact on the deficit. Given this understanding, the committee (using the authority provided to the budget committees for estimating outlays and revenues by section 310(d)(4) of the Congressional Budget Act) directs the Congressional Budget Office to not score any savings for any new legislation that might affect the Federal Reserve's transfer of the surplus capital account to the Treasury.

VI. Procedural and Miscellaneous Provisions

The Senate-reported resolution includes a number of miscellaneous provisions to ensure a balanced budget is achieved by 2002 and the budget resolution's policies are executed. Title II of the resolution establishes procedures and rules to implement a balanced budget and title III includes provisions stating the sense of the Senate or Congress.

TITLE II—BUDGETARY RESTRAINTS AND RULEMAKING

Sec. 201. Discretionary spending limits

The 1990 Budget Enforcement Act (BEA) established caps on defense, international, and domestic discretionary spending. These caps were enforced by sequesters and points of order in the Senate. The separate caps covered 1990 through 1993. The BEA provided a cap on total discretionary spending for 1994 through 1995. The Omnibus Budget Reconciliation Act of 1993 extended caps on total discretionary spending through 1998. The 1995 budget resolution (H. Con. Res. 218) reduced these discretionary caps. The 1996 budget resolution (H. Con. Res. 67) reduced and extended these caps contingent upon the enactment of a reconciliation bill implementing a balanced budget. The President vetoed the Balanced Budget Act of 1995 and the adjustments to the caps did not come into effect.

The Committee recommendation establishes the following caps on defense and nondefense discretionary spending for 1996 through 2002:

DISCRETIONARY CAP TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Defense:						
Budget authority	266.4	267.8	270.2	272.5	274.9	277.5
Outlays	264.6	263.0	265.9	269.3	268.2	267.9
Nondefense: [1]						
Budget authority	222.9	221.5	216.8	221.4	217.9	224.0
Outlays	267.0	259.1	254.4	250.0	250.0	248.6
Violent Crime Reduction Trust Fund:						
Budget authority	5.0	5.5	6.5	6.5	....	....
Outlays	4.2	5.2	6.0	6.2	....	....
Total Discretionary:.						
Budget authority	494.2	494.8	493.5	500.4	492.8	501.5
Outlays	535.7	527.2	526.3	525.6	518.2	516.5

[1] Includes amounts reserved for continuing disability reviews (CDRs).

This section provides for the enforcement of these discretionary spending caps by creating a point of order in the Senate against consideration of a budget resolution that would exceed the aggregate cap on discretionary spending. This section also provides a point of order in the Senate against an appropriations bill that would exceed the defense or non-defense levels for a fiscal year or that would exceed the section 602(b) suballocation of those levels. This point of order can be waived by an affirmative vote of three-fifths of the Senate. It is important to note that the enforcement of these caps in the outyears is contingent upon enactment of reconciliation legislation which balances the budget.

Sec. 202. Tax reserve fund in the Senate

A budget resolution establishes binding ceilings on spending and binding floors on revenues. These ceilings and floors are enforced by points of order in the Senate that, if raised, can only be waived by an affirmative vote of three-fifths of the Senate. A reserve fund provides the Chairman of the Budget Committee with the authority to modify the outlay ceiling and the revenue floor to accommodate deficit-neutral legislation. The Budget Act specifically authorizes the inclusion of reserve funds in a budget resolution and past budget resolutions have included reserve funds for a variety of purposes. For example, the 1994 budget resolution contained 11 such reserve funds.

The Committee recommendation provides a reserve fund for deficit-neutral legislation that reduces revenues. This reserve fund provides the Chairman authority to modify the aggregates for legislation that reduces revenues.

Past budget resolutions have only required the legislation authorized in the resolution to be deficit neutral for the five year period covered by it. This reserve fund would give the Chairman of the Budget Committee the authority to trigger the reserve fund if the revenue legislation did not increase the deficit for 1997, the period covered by 1997-2001, and the period covered by 2002-2006.

Sec. 203. Superfund reserve fund in the Senate

The Committee recommendation includes a reserve fund for the Environmental Protection Agency's Superfund program. This program receives appropriations from a trust fund that primarily is financed with surtaxes on corporate income and excise taxes on oil and chemical feedstocks. This extraordinary procedure is needed because these Superfund taxes expired at the end of 1995 and a reformed Superfund program will need additional financial resources.

The Superfund Reserve Fund provides the Chairman of the Budget Committee with the authority to adjust the budget resolution spending and revenue levels to accommodate $5.4 billion in additional spending for the Superfund program over the next six years. This additional funding is contingent on two actions. First, Congress must enact legislation that reforms the program and extends Superfund taxes to ensure that the additional spending does not add to the deficit. Second, the Appropriations Committee must report a fiscal year 1997 appropriations bill that increases funding for the Superfund program. When these two conditions are met, the chairman will adjust the spending and revenue levels for each of the years covered by this budget resolution.

This section provides a base amount for the Superfund program that is equal to the fiscal year 1996 appropriation of $1.302 billion. When the Appropriations Committee reports fiscal year 1997 appropriations legislation that provides an increase for the Superfund program relative to this base amount, the Chairman of the Budget Committee will adjust the spending limits and other budget levels by that excess amount to accommodate this additional spending for the Superfund program. To ensure this adjustment does not cause an increase in the deficit, it cannot exceed the net revenues generated by the extension of Superfund taxes.

Sec. 204. Scoring of emergency legislation

The 1990 Budget Enforcement Act amended the Budget Act to provide a procedure that provided that the cost of emergency legislation would not be taken into account for the purposes of Budget Act points of order. More specifically, section 606(d)(2) of the Budget Act provides that the budgetary impact of legislation is not taken into account for Budget Act points of order if legislation is designated as an emergency by the President and the Congress.

The Committee is concerned about the abuse of these emergency procedures and is concerned that this provision of the law could be used to circumvent the balanced budget plan required by this budget resolution. However, the Committee also recognizes the need to fund emergency legislation.

The Committee recommendation provides that all legislation will be scored for the purposes of the budget resolution and the Budget Act even if it is designated as an emergency. If legislation is a true emergency, there should be sufficient support to waive a Budget Act point of order against such legislation. In addition, the Committee recommendation does not affect current law provisions that provide adjustments to the caps so that emergency legislation does not cause a sequester under the Balanced Budget and Emergency Deficit Control Act. Moreover, the Committee recommendation provides that the discretionary caps established by section 201 of this resolution will be adjusted after the enactment of any emergency legislation to hold the caps harmless for the cost of the emergency legislation.

Sec. 205. Exercise of rulemaking powers

The Committee recommendation includes a number of changes that have the effect of changing the rules of the Senate. The Committee recommendation includes a provision recognizing the Senate's constitutional right to change Senate rules at any time.

TITLE III—SENSE OF THE CONGRESS AND THE SENATE

The Committee recommendation includes the following sense of the Congress and Senate provisions.

Sale of government assets (sec. 301);
Tax reductions should benefit working families (sec. 302);
Bipartisan commission on the solvency of Medicare (sec. 303);
Consideration of a change in the minimum wage (sec. 304);
Long term projections in budget estimates (sec. 305);
Opposition to medicare transfers (sec. 306);
Repeal of the gasoline tax (sec. 307); and
Medicare trustees report (sec. 308).

VII. COMMITTEE VIEWS AND ESTIMATES

Section 301(c) of the Congressional Budget Act requires the committees of the Senate to report to the Budget Committees their views and estimates of budget requirements for matters within their jurisdictions to assist the Budget committees in preparing the budget resolution.

Following are the views and estimates received from the various Senate committees:

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC, April 24, 1996.

Senator PETE V. DOMENICI, *Chairman,*
Senator J. JAMES EXON, *Ranking Member,*
Committee on the Budget,
Washington, DC.

DEAR SENATORS DOMENICI AND EXON: This letter provides the views of the Senate Committee on Agriculture, Nutrition, and Forestry regarding the FY 1997 Budget Resolution. These views are provided in response to your February 28 letter and are in accordance with the requirements of the Congressional Budget Act, as amended.

Members of the Committee believe that Congress should continue efforts to balance the federal budget by 2002. To balance the budget, Congress will need to restrain discretionary spending and plan for major reforms in entitlement and other mandatory spending programs.

CBO's March 1996 baseline projects that mandatory spending under the Agriculture Committee's jurisdiction will total $296 billion over the next six years, FY 1997–2002. Food and nutrition programs account for $253 billion, or 85 percent of this total. The Food Stamp Program and nutrition assistance to Puerto Rico is expected to cost $190 billion—75 percent of total food and nutrition program spending. Farm and other mandatory programs, which have undergone dramatic reforms resulting from enactment of the Federal Agriculture Improvement and Reform Act (P.L. 104–127), account for the remaining $43 billion. Annual spending for farm and other non-nutrition mandatory programs is projected to decline from $8.5 billion in FY 1997 to $5.7 billion in FY 2002.

As part of a coordinated effort to balance the budget, the Committee is ready to do its share by reducing spending in food and nutrition programs. Most the Committee feels that modifications to mandatory food and nutrition provisions of the House/Senate conference agreement on welfare reform recently recommended by the National Governors' Association will responsibly reduce welfare spending while better targeting benefits to those most in need. Some in the Committee, including the Ranking Member, strongly feel that welfare reform cuts should not be made outside the context of comprehensive balanced budget legislation. However, if sizable spending reductions in food and nutrition programs are enacted this year, the Committee would oppose further reductions in the years ahead.

Because of the policy reforms and spending reductions achieved in the new farm bill, the Committee feels strongly that further changes in farm programs should not be called for as part of this year's budget resolution. The new farm bill makes a significant contribution to deficit reduction even though it moved through Congress this year outside of the budget reconciliation process. CBO estimates that the conference report reduces mandatory farm spending by $2.1 billion over the FY 1996–2002 fiscal year period measured against the December 1995 CBO baseline.

In addition to providing farmers with greatly enhanced planting flexibility, the new farm bill replaces traditional open-ended deficiency payments with fixed market transition payments which will gradually decline over the next seven years. This will give taxpayers budget certainty, unlike previous farm bills whose actual outlays have routinely exceeded projections by large margins.

The Committee is aware that overall discretionary spending will be restrained in the years ahead. As your Committee considers the aggregate discretionary spending levels in the 1997 budget resolution, we ask that you keep in mind the need to accommodate a continued strong U.S. role in international food aid, as well as the critical importance of securing future productivity gains through agricultural research, especially competitive grants. The need for discretionary funding for conservation cost-sharing and incentive payments will decline as a result of the new farm bill's repeal of authority for the Agricultural Conservation Program, the Great Plains Conservation Program and the Water Quality Incentives Program. The functions of these initiatives are absorbed in the new Environmental Quality Incentives Program, which we expect will receive the full legislated level of mandatory funding. Also, the Committee believes that the resources necessary to administer farm programs will fall significantly over time due to a variety of reforms contained in the new farm bill. These changes should eventually allow accelerated downsizing and consolidation within the Department of Agriculture's Farm Service Agency and the transfer of some resources to other agencies that will face increasing workload requirements as a result of the new legislation.

The Committee looks forward to working with you as we move ahead with our budget responsibilities this year.

Sincerely,

RICHARD G. LUGAR, Chairman.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC, April 16, 1996.

Senator PETE V. DOMENICI, *Chairman,*
Senator J. JAMES EXON, *Ranking Minority Member,*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: In accordance with your request, we are forwarding our recommendations for the Fiscal Year 1997 Budget Resolution.

The defense budget must provide sufficient resources to meet the national security requirements and ensure the United States' position as a world leader. When adjusted for inflation, the budget request of $254.4 billion reduces defense by $18.6 billion from the fiscal year 1996 levels of funding. We propose setting the budget authority for fiscal year 1997 at $267.3 billion (although we realize this number may have to be adjusted for inflation) and outlays at $265.0 billion as stated in the Concurrent Budget Resolution for Fiscal Year 1996.

Providing these resource levels as stated in the Budget Resolution will still require a reduction of $5.7 billion from fiscal year 1996 levels with inflation. At this level of funding a more appropriate balance can be maintained between present and future readiness, quality of life for our military personnel and their families, modernization of the force to meet requirements, and the necessary emphasis on missile defense systems. The defense budget request forces trade offs in future readiness to meet current readiness requirements.

The defense budget is in its twelfth straight year of decline. The procurement budget is at its lowest level since 1950 with procurement accounts declining 72 percent since 1985. Armed Services Committee hearings have confirmed a shared concern by the Service Secretaries and Chiefs that recapitalization of our forces has continued to be projected further into the future with each succeeding budget. The military services have been forced to delay the fielding of critical systems. We cannot continue to defer the funding of these validated requirements. We must provide adequate funding now to meet critical future modernization requirements. Failure to modernize now will place our armed forces at greater risk in the future.

Quality of life for our military personnel and their families remains an important bipartisan priority for this committee. We are committed to providing equitable pay and benefits with protection from inflation. In addition, funding for construction and maintenance of troop billets and family housing should be restored to more acceptable levels.

Over the next month, the Committee will continue to review the adequacy of the defense budget request in an effort to address our national security requirements, current and future. We will achieve a more appropriate balance of near-term readiness, modernization and quality of life programs. The Committee will work to eliminate defense spending that does not contribute directly to the national security of the United States and to reevaluate the budget impacts of peacekeeping roles, policies, and operations. Where sufficient resources have not been requested to address the Nation's security requirements, we will recommend the necessary resources.

We continue to support your efforts to maintain the fire walls between defense and non-defense discretionary spending. Requests for rescissions or supplemental appropriations offset with defense funds have totaled more than $1.5 billion to date for fiscal year 1996.

We look forward to working with you on a Budget Resolution for Fiscal Year 1997, which will result in a budget that supports a strong national defense.

Sincerely,

SAM NUNN,
Ranking Minority Member.
STROM THURMOND,
Chairman.

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC, April 15, 1996.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. J. JAMES EXON, *Ranking Member,*
Committee on the Budget,
Washington, DC.

DEAR SENATORS DOMENICI AND EXON: This letter transmits the views and estimates of the Committee on Banking, Housing, and Urban Affairs regarding the funding of programs in our jurisdiction, as required by Section 301 of the Congressional Budget Act of 1974.

SAVINGS ASSOCIATION INSURANCE FUND STABILIZATION

The Committee is concerned about the significant deposit insurance premium disparity which now exists between the premiums paid by thrifts and those paid by commercial banks. Thrift premium rates are now more than six times the premium rates paid by commercial banks. Well-managed and well-capitalized banks pay an effective assessment rate only slightly above zero. The continued high level of thrift premiums is needed to pay interest on Financing Corporation (FICO) bonds issued to raise funds to resolve the thrift crisis of the late 1980s and to recapitalize the Savings Association Insurance Fund (SAIF). SAIF is seriously undercapitalized with the ratio of fund reserves to SAIF-insured deposits at only 0.47%, or slightly over one-third the 1.25% required for full capitalization.

So long as such a substantial premium differential exists, SAIF-insured thrifts have a strong financial incentive to reduce their holdings of SAIF-insured deposits. Thus, the decline in SAIF-insured thrift deposits is likely to continue, and perhaps accelerate, in the event no legislative solution is adopted. This raises the possibility of a default on FICO bonds and threatens the long-term viability of the SAIF.

The Committee continues to support passage of the SAIF stabilization package included in the Balanced Budget Act of 1995. This package, which imposes a special assessment on institutions holding SAIF deposits and assesses all FDIC-insured institutions to cover the FICO interest payments, would reduce existing incentives for SAIF deposits to flee SAIF, thereby strengthening the entire federal deposit insurance system.

We urge the Budget Committee to work with the Banking Committee in securing the enactment of this critical package. In the vent that the SAIF stabilization package is not passed prior to adoption of the 1997 budget resolution, this Committee will work with the Budget Committee to make any necessary accommodation in the resolution.

EXAMINATION FEES FOR STATE-CHARTERED BANKS

The Committee in the past has opposed a new Federal examination fee for state chartered banks. The proposal was submitted by the Administration in several previous budgets and was rejected by this Committee each time. The Administration has renewed its proposal to raise $1.1 billion by 2002 through the imposition of this fee on state-chartered banks.

Committee members continue to express several concerns with this proposal. First, it would undermine the "dual banking" system. Second, it would create an inequity for state-chartered banks which already pay fees to their state regulators. Third, the banking industry as a whole, including state-chartered banks, pays all the expenses of the Federal Deposit Insurance Corporation (FDIC) through insurance premium assessments and through forgone interest on mandated sterile reserves held by the Federal Reserve System.

SECURITIES AND EXCHANGE COMMISSION FUNDING

The Committee believes that Securities and Exchange Commission (SEC) user fees should bear a rational relationship to the cost of regulation. As a result, the Committee continues to oppose increases in SEC user fees that are dedicated to deficit reduction. The Committee continues to be concerned that excessive user fees have become a tax on capital formation.

Under current law, SEC "user" fees raise three times the level necessary to fund the SEC. The proposed 1997 budget would continue the practice of having the securities industry overpay for its regulation in order to fund unrelated government activities.

The 1997 budget proposal would raise $776 million in fees to fund the SEC's $307 million budget by creating three tiers of fees. The first tier would raise registration fees paid by issuers for a total of $470 million. Tier 1 fees would be devoted exclusively to deficit reduction. The second tier would extend exchange trading transaction fees paid by broker-dealers to include the over-the-counter market and the corporate bond market for a total of $260 million. Tier 2 fees would be devoted to the SEC's budget. The third tier would add an increment to the Tier 1 registration fees to make up the additional $48 million needed to fund the balance of the SEC's budget.

The Committee favors a funding structure for the SEC which more closely resembles legislation passed by the House of Representatives (H.R. 2972). The House approach would stabilize the SEC's fee structure over a five year period by moving registration fees closer to the statutory level of 1⁄50th of 1% and expanding the trading fees to the over-the-counter market. Over the five year period of fee reductions, direct appropriations will be used to fund the SEC. These funds would come from cuts in other discretionary programs. The fee structure in H.R. 2972 would allow the SEC to be virtually self-funded, yet would give the Congress greater control over the agency's budget.

HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

The Committee recognizes that the cost of renewing expiring section 8 rental assistance contracts will begin to grow substantially in the years beyond 1997. However, in the interest of preserving existing affordable housing opportunities, the Committee urges that it be the policy of the Congress to renew all expiring contracts and to provide adequate funding for renewals, while the authorizing committee acts on policy changes that will reduce contract renewal costs.

The Committee has as a priority developing a strategy for restructuring the Department of Housing and Urban Development's (HUD) multifamily mortgage portfolio. This process, also known as "mark-to-market", would reduce section 8 rents and restructure the debt on approximately half of the 9,000 multifamily properties that are insured by the Federal Housing Administration (FHA) and assisted by HUD's section 8 project-based rental subsidy programs.

Project-based section 8 assistance for these properties is provided under housing assistance payment contracts that are generally 20 years in duration. In many cases, contract rents on these multifamily properties far exceed market-area rents. Budget authority for the entire term of the contract is provided in discretionary appropriations in the year the contract is initiated. In 1996, about $4.5 billion was required to renew expiring section 8 contracts. Without changes in policy which will reduce rents and, therefore, subsidies, this number will grow to more than $17 billion by 2000, almost equivalent to HUD's total 1996 discretionary budget authority.

A debt restructuring strategy would lower the need for high section 8 contract subsidies, thus producing discretionary budget savings, and would prevent many defaults now projected under the current baseline. Debt restructuring will, however, result in some potentially high costs to the FHA multifamily insurance funds, since the current debt will either be completely or partially forgiven. The payment of these costs should not result in the need for discretionary appropriations, since FHA has permanent budget authority to pay these losses. This strategy would be designed to encourage owners with multi-year section 8 contracts to restructure, thus reducing costs.

Nevertheless, restructuring insured debt may produce tax consequences through the creation of "cancellation of indebtedness income", which may discourage project owners from voluntarily restructuring. The Committee believes it is essential that these transactions be tax-neutral in order to achieve maximum discretionary savings. However, the Committee wants to stress that it is possible that tax legislation may be necessary to ensure that debt restructuring will be successful to the maximum extent.

The overall goal of the Committee is to consolidate HUD's housing and community development programs (where appropriate), to provide for greater responsibility and flexibility at the State and local level, and to facilitate private sector participation in developing solutions to the affordable housing and community development needs of the nation. These goals reflect the Committee's concern about HUD's capacity to carry out its mission, particularly in an era of government downsizing. As discussed in the 1994 report of the National Academy of Public Administration, the number of HUD programs has grown from 50 in 1980 to about 240 today. HUD continues to demonstrate that it has limited management capacity to administer this multitude of complex programs.

The Senate has passed S. 1260, the Public Housing Reform and Empowerment Act, which will allow public housing authorities to operate their programs more effectively and cost-efficiently, and with less regulation by HUD. Given the current and expected levels of appropriations for the public housing program, enactment of this essential legislation, which is awaiting House action, will be an important first step toward overall reform of HUD.

Nevertheless, the Committee asks the Budget Committee to be cognizant of the fact that many HUD programs have already sustained major spending reductions, and that even as programs are reformed, adequate resources will be necessary to ensure that the Department's programs can fulfill their basic missions.

TRANSIT PROGRAM

The Committee recognizes the crucial importance of the nation's mass transit system. As we enter the final year of the Intermodal Surface Transportation Efficiency Act (ISTEA) program, the Committee will examine ways to make the transit program more efficient while it serves ever-increasing numbers of people. In the face of dwindling federal resources, mass transit remains the most effective way to reduce urban traffic congestion, improve air quality, and serve the transportation needs of the disabled, poor and elderly.

We urge the Budget Committee to maintain transit funding at levels sufficient to maintain vital transportation service to the nation.

Sincerely,

ALFONSE M. D'AMATO, *Chairman.*

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC, March 29, 1996.

Hon. PETE DOMENICI,
Chairman, Committee on the Budget.

Hon. J. JAMES EXON,
Ranking Democratic Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR SENATORS DOMENICI AND EXON: In accordance with section 301(d) of the Congressional Budget Act, we are submitting the views and estimates of the Committee on Energy and Natural Resources on portions of the budget for fiscal year 1997 within the jurisdiction of this Committee.

We appreciate your consideration of our views and look forward to working with you and your Committee on the FY 1997 budget.

Sincerely,

J. BENNETT JOHNSTON,
Ranking Democratic Member.
FRANK H. MURKOWSKI,
Chairman.

COMMITTEE ON ENERGY AND NATURAL RSOURCES VIEWS AND ESTIMATES ON THE FISCAL YEAR 1997 BUDGET, APRIL 1, 1996

The Committee continues to support the overall goal of a balanced budget by 2002.

Due to the delay in the submission of the President's proposed budget for FY'97, the Committee has not been able to conduct normal oversight hearings or to prepare detailed comments.

The Committee does not support the President's proposal to sell oil from the Strategic Petroleum Reserve. The Committee reluctantly agreed to include a limited sale of oil from Weeks Island to pay the cost of decommissioning that facility and to meet the Committee's reconciliation instructions last year. The Committee strongly opposes the sale of additional quantities from the Strategic Petroleum Reserve solely to raise revenues.

The Committee does not contemplate reporting any measures that would create unfunded mandates.

[Memorandum, March 28, 1996]

To: Members, Committee on Energy and Natural Resources.
From: Frank H. Murkowski, Chairman, and J. Bennett Johnston Ranking Democratic Member.
Re Views and Estimates for FY'97.

Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974 provides in pertinent part that "[w]ithin 6 weeks after the President submits a budget . . . each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters . . . within the jurisdiction or functions of such committee." The Chairman and Ranking Member of the Budget Committee have requested that all Committees submit their Views and Estimates by April 15, 1996.

Due to the delay in the submission of the President's budget request for FY'97, the Committee has not been able to schedule oversight hearings or a business meeting to discuss our recommendations as we have done in the past.

In order to comply with the request from the Budget Committee, we intend to send the attached letter and Views and Estimates.

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC, March 29, 1996.

Hon. PETE DOMENICI,
Chairman, Committee on the Budget.

Hon. J. JAMES EXON,
Ranking Democratic Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR SENATORS DOMENICI AND EXON: In accordance with section 301(d) of the Congressional Budget Act, we are submitting the views and estimates of the Committee on Energy and Natural Resources on portions of the budget for fiscal year 1997 within the jurisdiction of this Committee.

We appreciate your consideration of our views and look forward to working with you and your committee on the FY 1997 budget.

Sincerely,

J. BENNETT JOHNSTON,
Ranking Democratic Member.

FRANK H. MURKOWSKI,
Chairman.

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE VIEWS AND ESTIMATES ON THE FISCAL YEAR 1997 BUDGET, APRIL 1, 1996

The Committee continues to support the overall goal of a balanced budget by 2002.

Due to the delay in the submission of the President's proposed budget for FY'97, the Committee has not been able to conduct normal oversight hearings or to prepare detailed comments.

The Committee does not support the President's proposal to sell oil from the Strategic Petroleum Reserve. The Committee reluctantly agreed to include a limited sale of oil from Weeks Island to pay the cost of decommissioning that facility and to meet the Committee's reconciliation instructions last year. The Committee strongly opposes the sale of additional quantities from the Strategic Petroleum Reserve solely to raise revenues.

The Committee does not contemplate reporting any measures that would create unfunded mandates.

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC, April 9, 1996.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: In response to your letter of February 28, 1996, I have prepared the following views and estimates report for programs under the jurisdiction of the Committee on Environment and Public Works. As you have requested, my comments are directed to the total level of federal spending for the five year period 1997–2001 and to the President's fiscal year 1997 budget request. As in previous years, a brief summary of legislative initiatives for this year is included as well.

NEW LEGISLATIVE INITIATIVES

As you know, in 1995 the Committee on Environment and Public Works reported and the Senate approved legislation to reauthorize the Safe Drinking Water Act; to provide States and localities greater control over shipments of solid waste; and to designate a National Highway System. Legislation authorizing projects for the civil works program of the Army Corps of Engineers is on the Senate calendar and will be taken up by the full Senate after the Easter recess. In addition, the Committee is currently developing legislation to reauthorize the Superfund program, the Endangered Species Act and the Clean Water Act's State Revolving Fund.

As required by the recently enacted Unfunded Mandates Reform Act, the Committee will work with you as it considers any legislation that is likely to have a significant budgetary impact on any State, local or tribal government or any significant financial impact on the private sector.

SPECIFIC DISCRETIONARY PROGRAMS

1. Environmental Protection Agency (EPA)

The EPA budget is divided into three primary categories: water infrastructure (clean water and drinking water State revolving funds); operating programs; and Superfund and leaking underground storage tank funds. The total EPA budget request for fiscal year 1997 is $7.027 billion, an increase of $600 million over the current Senate approved level for fiscal year 1996.

In broad terms, I support the President's request for EPA. The fiscal year 1997 request is $300 million less than the President requested last year.

Water infrastructure

The fiscal year 1997 request for the Water Infrastructure account which capitalizes State revolving loan funds for wastewater treatment and safe drinking water is $2.2 billion.

This $2.2 billion total includes two key elements:

(1) Clean Water State Revolving Fund (SRF)—for which $1.35 billion is requested in fiscal year 1997. This request represents a substantial shortfall from the minimum annual levels necessary to meet the most basic municipal water infrastructure needs. The

Clean Water SRF has been instrumental in helping municipalities meet the requirements of the Water Pollution Prevention and Control Act and a major contributor to the clean-up of our limited water resources. The Federal government has used this loan fund and its predecessor grant program to contribute more than $60 billion to State and local governments since the early 1970's. This is a program that has proven to be cost effective and of tremendous environmental benefit.

(2) Drinking Water State Revolving Fund (SRF)—for which $550 million is requested in fiscal year 1997. As I stated earlier, the Senate has completed action on legislation reauthorizing the Safe Drinking Water Act. Once the program is fully authorized, these resources will allow states to fund both the construction of needed infrastructure improvements for drinking water systems and the restructuring of small systems to improve compliance. Despite the need for capital improvements at drinking water treatment facilities, it is regrettable that the Administration chose to tap the Clean Water SRF in fiscal year 1994 in an attempt to create a drinking water SRF.

In reference to outyear funding through the year 2001, I support annual outlays of $2 billion for the Clean Water SRF and $500 million for the Drinking Water SRF.

Operating programs

Of the three accounts, operating programs, which includes EPA's efforts for the protection of air and water resources, science and technology work, and multimedia initiatives, would receive the largest increase over past years. The President's request for fiscal year 1997 is $3.4 billion, $400 million more than current funding levels. In general, I support the operating programs request and applaud EPA's efforts to target resources to the most serious health risks.

Superfund and L.U.S.T. Trust Funds

The President's fiscal 1997 request for Superfund is $1.34 billion, an increase over the fiscal 1995 post-rescission appropriation of $1.33 billion and the fiscal 1996 appropriation of $1.31 billion contained in H.R. 3019, the fiscal 1997 omnibus appropriations package currently in conference. I recommend lowering the fiscal 1997 funding level to the fiscal 1996 funding level provided in H.R. 3019, $1.31 billion. This funding is sufficient for current Superfund program needs and, more importantly, provides flexibility for Superfund reform options currently under consideration by the Committee.

The President's fiscal 1997 request for the Leaking Underground Storage Tank (L.U.S.T.) Trust fund is $66.5 million, a decrease from the fiscal 1995 post-rescission appropriation of $69.2 million but an increase from the fiscal 1996 appropriation of $45.8 million in H.R. 3019. I recommend the L.U.S.T. trust fund be maintained at $45.8 million.

As you know, the Committee is currently developing comprehensive Superfund reform legislation, and the continuing assistance of the Budget Committee in this process is greatly appreciated. I expect to proceed to a markup of this legislation soon. An explicit goal of the legislation is to reduce the societal costs associated with Superfund. The cost saving features of Superfund reform include (1) reduction of cleanup costs by allowing more flexibility in how clean-up levels are determined and attained, and (2) reforming the current liability system to bring more fairness to parties involved in Superfund sites while reducing transaction costs associated with litigation.

The Superfund reform bill currently under consideration could change the funding needs for the program considerably. Future funding needs will depend upon the level of clean-up cost savings achieved, and the amount of liability relief provided to private parties and assumed by Superfund. Please be assured that I will continue to work closely with the Budget Committee to craft a mechanism that permits significant liability reform without undermining deficit reduction objectives.

For the five-year period beginning in fiscal 1996, the March CBO baseline projects Superfund BA flat in each fiscal year 1997 through 2001 at $1.152 billion. The baseline would be adjusted upward if the H.R. 3019 levels are enacted. The March OT projections for the next five fiscal years are: fiscal 1997 ($1.424 billion); fiscal 1998 ($1.386 billion); fiscal 1999 ($1.362 billion); fiscal 2000 ($1.344 billion); and fiscal 2001 ($1.094 billion).

Similarly, the projections for the L.U.S.T. trust fund five year period from fiscal 1997 through 2001 is flat at $45 million. The March CBO OT projections are: fiscal 1997 ($50 million); fiscal 1998 ($49 million); fiscal 1999 ($44 million); fiscal 2000 ($46 million); and fiscal 2001 ($46 million).

2. Federal highways

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) was enacted on December 18, 1991. In fiscal 1997, the surface transportation law provides an obligation ceiling of $18.338 billion with an additional $1.85 billion for categories not subject to the spending limitation, or a total spending level of $20.188 billion. This level compares to an obligation limitation of $18.357 billion in fiscal 1996 with an additional $1.85 billion for categories not subject to the spending limitation, or a total spending level of $20.2 billion in fiscal 1996.

Total budget authority (BA) estimates for the federal-aid highway program for fiscal 1997–2001 show a gradual current law rise after fiscal 1997 through fiscal year 2001, assuming reauthorization of the surface transportation law in 1997. BA projections are as follows; fiscal 1997 ($20.151 billion); fiscal 1998 ($22.024 billion); fiscal 1999 ($22.322 billion); fiscal 2000 ($22.750 billion); and fiscal 2001 ($23.192 billion). The outlay projections are as follows: fiscal 1997 ($17.534 billion); fiscal 1998 ($17.565 billion); fiscal 1999 ($17.484 billion); fiscal 2000 ($17.550 billion); and fiscal 2001 ($17.613 billion).

Outlay projections do not rise during the upcoming years because of a new scoring rule for Highway Trust Fund programs. The new directs the Congressional Budget Office (CBO) to record any legislated changes in outlays for categories not subject to the spending limitation as mandatory rather than discretionary. Although the rule applies only to future legislation, CBO reclassified all exempt programs and projects as mandatory with the January 1996 baseline.

As part of the fiscal 1997 budget, the President has requested $19.4 billion for the Federal Highway Administration (FHWA), a $500 million decrease from the fiscal 1996 request. The $19.4 billion request for FHWA includes an obligation limitation of $17.7 billion for Federal-aid highways. The President also has requested $1.3 billion for categories not subject to the spending limitation, including minimum allocation, demonstration projects, and emergency relief. This amount is $994 million ($694 million from ISTEA and other authorized highway demonstration projects; $300 million from the Minimum Allocation program) less than the fiscal 1996 request. In addition, the President's budget request includes a special obligation limitation of $630 million for all highway demonstration projects.

In general, I support the President's request for the fiscal 1997 federal highway program. The President's 1997 budget takes a responsible approach to the funding of highway demonstration projects by including $694 million less than the fiscal year 1996 request. Additional highway savings, however, could be achieved by reducing the federal-aid highway obligation limitation. The Committee will address this issue as it considers reauthorization of the surface transportation law in 1997.

3. Tennessee Valley Authority (TVA)—Economic Development Administration (EDA)—Appalachian Regional Commission (ARC)

In an era of limited resources, it is my view that Congress should carefully consider whether there is a compelling need for continued federal participation in programs carried out by the TVA, EDA and ARC.

4. U.S. Army Corps of Engineers (civil works)

The President's fiscal year 1997 request for the civil works program of the Army Corps of Engineers is $3.305 billion. Of that amount, $665 million, or 20 percent, would be derived from user fees and trust funds, including fuel and ad valorem taxes.

In the fiscal 1997 request, I am encouraged that the Administration has increased funding for various Army Corps environmental initiatives, in particular, the $15 million for the Section 1135 program. While this modest funding level is $10 million lower than the amount requested in fiscal 1996, it is $5 million higher than the amount enacted in the fiscal 1996 Energy and Water Development Appropriations Act.

The Committee will consider legislation this year, in connection with the pending Water Resources Development Act (S. 640), to modify the Federal/non-federal project cost sharing formulas for flood control, shore protection, and maintenance of small harbors, as established in the Water Resources Development Act of 1986. These cost sharing modifications, to be proposed by the Administration, are designed to encourage greater local project participation and to reduce Federal contributions. While the reduced Federal funding levels cannot be estimated until after legislation is developed and reviewed, enactment of such cost sharing changes will result in significant outyear budget savings for the Army Corps.

Total Army Corps civil works program BA estimates for fiscal years 1997–2001 show flat outyear funding levels. Fiscal 1997–2001 are projected in BA at: $3.365 billion; $3,366 billion; $3.368 billion; $3.369 billion; and $3.371 billion, respectively. For OT, fiscal years 1997–2001 are projected at $3.476 billion; $3.403 billion; $3.355 billion; $3.358 billion, and $3.370 billion, respectively.

5. General Services Administration (Public Buildings Service)

The President's fiscal year 1997 request for the Public Buildings Service (PBS) totals $5.587 billion. Of this amount, $518 million is requested indirect appropriations. The remaining $5.059 billion is to be derived from agency rental payments and the Federal Buildings Fund (FBF).

For the repairs and alterations account, $775 million is requested. These funds are to be derived wholly from the FBF. For the construction and acquisition account, $715 million is budgeted. Of this amount, $518 million is requested in direct appropriations and $197 million is to be derived from the FBF. These two accounts, which comprise $1.49 billion of the overall $5.587 billion requested for the PBS, are the only areas for which the Committee possesses direct authorizing jurisdiction.

Pursuant to the fiscal year 1996 Concurrent Resolution on the Budget, PBS funding for new construction is to be reduced by 30 percent over the seven fiscal years 1996 and 2002. For fiscal year 1996, the Committee achieved savings of 33 percent from the Administration's requested new construction funding level of $1.105 billion by authorizing only $737.345 million. I am pleased that the Administration's fiscal year 1997 request for new construction funding is slightly below the average annual level necessary to achieve the seven year aggregate reduction target of 30 percent.

Conclusion

In crafting the fiscal year 1997 budget resolution, it is incumbent upon the Congress to not only downsize the federal bureaucracy through streamlining but to relinquish services that are better managed at the State and local level. More importantly, the time has come to make the tough decisions to close agencies or programs that have outlived their usefulness. Throughout the budget process, however, we must not lose sight of our ultimate goal, to serve the people fairly and economically. To achieve this and balance the budget, the Congress will be faced with hard choices. It is my hope that the fiscal year 1997 Budget Resolution will represent those choices.

Thank you for your consideration of my views and do not hesitate to get in touch if you have any questions regarding this submital.

Sincerely,

JOHN H. CHAFEE.

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, April 16, 1996.

Hon. PETE V. DOMENICI,
Chairman, Senate Committee on the Budget,
U.S. Senate, Washington, DC.

Hon. J. JAMES EXON,
Ranking Member, Senate Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: Pursuant to Section 301(d) of the Congressional Budget Act of 1974, we are submitting views and estimates with respect to federal spending and revenues within the jurisdiction of the Senate Committee on Finance.

DEBT LIMIT

On March 29, 1996, President Clinton signed into law a permanent increase in the public debt limit to $5.5 trillion (P.L. 104–121). According to the Congressional Budget Office, this increase is expected to be sufficient through September 1997. Therefore, the Finance Committee does not expect further action on the debt limit to be needed for FY 1997.

CONSUMER PRICE INDEX

Pursuant to the FY 1996 Budget Resolution (H. Con. Res. 67), the Finance Committee established a nonpartisan commission to study the accuracy of the consumer price index methodology and make recommendations for change. The Chairman of the CPI Commission is Dr. Michael J. Boskin of Stanford University, On September 15, 1995, the CPI Commission released an interim report which concluded that the CPI is overstated by 0.7 to 2.0 percentage points. The CPI Commission is expected to release its final report during this summer.

WELFARE AND MEDICAID REFORM

Over the next seven years, federal, state, and local governments will spend more than $2.4 trillion on the current welfare and Medicaid programs. Medicaid spending alone doubled over the last seven years and is expected to nearly double again by 2003, diverting resources from other programs. It would be useful if the FY 1997 Budget Resolution contains a reserve fund which would allow for consideration of welfare and Medicaid reform proposals.

MEDICARE

In 1995, the Trustees of the Medicare Trust Funds reported that the Medicare Hospital Insurance (HI) Trust Fund would go bankrupt in 2002. Recent information on expenditures from the HI Trust Fund indicate that the situation is even worse than predicted, with bankruptcy now estimated to occur during 2001—only five years away. The HI Trust Fund is already operating in the red, spending more money than it is receiving from payroll taxes, interest and other sources of income. The Medicare Supplementary Medical Insurance (SMI) Trust Fund also faces serious financial problems with an estimated average annual growth rate in excess of 10 percent.

The Finance Committee will continue its efforts to preserve, protect, and improve the Medicare program by focusing on combating waste, fraud, and abuse; expanding choice in the types of private health plans available to Medicare beneficiaries; and implementing new payment policies to address escalating costs, particularly in the areas of home health care, skilled nursing facilities, and hospital outpatient departments.

SOCIAL SECURITY

On March 29, 1996, President Clinton signed into law an increase in the earnings limit for Social Security recipients as well as other provisions that impacted Social Security outlays (P.L. 104–121). The Finance Committee hopes that the budgetary impact of these recently-enacted provisions will be included in the calculation of the Social Security income and outgo amounts for the FY 1997 budget resolution.

The Finance Committee is concerned that the Social Security Administration receive sufficient funding for operating expenses. Social Security programs touch the lives of most Americans directly or indirectly, and the FY 1997 budget resolution should provide adequate resources for the timely determination of eligibility and payment of claims.

In addition, the Finance Committee continues to be concerned about the long-term solvency of the Social Security Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds, and public confidence in the ability of the Social Security Trust Funds to pay benefits in the future. Although the Committee expects no legislative action this session, the Committee will carefully review the report of the Trustees of the Social Security Trust Funds and the report of the Social Security Advisory Council which are expected to be released in upcoming months.

INTERNATIONAL TRADE

The Finance Committee expects to consider legislation affecting international trade laws which may have modest budgetary consequences. Possible legislation may include: implementing legislation for the Organization for Economic Cooperation and Development (OECD) Agreement Respecting Normal Competitiveness Conditions in the Commercial Shipbuilding and Repair Industry; reauthorization of the Trade Adjustment Assistance program; legislation granting Most-Favored-Nation (MFN) trading status to Bulgaria and Cambodia; and legislation giving the President authority to restore tariff preferences under the U.S.-Israel Free Trade Agreement to imports from the West Bank and Gaza. It would be useful if the FY 1997 Budget Resolution contains a reserve fund which would allow for consideration of international trade legislation reported by the Finance Committee during the fiscal year.

REVENUES

Family Tax Relief and Savings and Investment Incentives.—The Finance Committee may consider legislation to provide tax relief for families, incentives to promote savings and investment, help with health care costs, simplify the tax code and other tax code changes. Such tax relief may be part of an effort to balance the budget or may be considered separately on a deficit-neutral basis later this year.

Super Fund Trust Fund.—The excise and corporate environmental taxes that fund the Superfund program expired on December 31, 1995. The Senate Environment and Public Works Committee is in the process of developing legislation to make fundamental reforms to the Superfund program. As part of this effort, the Finance Committee expects to consider legislation reinstating the Superfund taxes and related proposals this year.

Airport and Airway Trust Fund.—The excise taxes that fund the Airport and Airway Trust Fund also expired on December 31, 1995. The authorization for the Airport and Airway Trust Fund program is scheduled to expire on September 30, 1996. The Finance Committee expects to consider legislation reinstating the excise taxes funding the Airport and Airway Trust Fund either in connection with the reauthorization of the program or on a separate basis.

Tax Reform.—The Finance Committee expects to continue holding hearings on proposals to replace or fundamentally change the existing tax system.

It would be useful if the FY 1997 Budget Resolution contains a reserve fund similar to the reserve fund contained in the FY 1996 Budget Resolution (H. Con. Res. 67) which would allow for consideration of tax relief legislation later this year.

We appreciate the opportunity to comment on the areas of the budget within the jurisdiction of the Finance Committee and look forward to working with you on this year's budget effort.

Sincerely,

WILLIAM V. ROTH, JR.,
Chairman.
DANIEL PATRICK MOYNIHAN,
Ranking Member.

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, April 19, 1996.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE: As Foreign Relations Committee chairman, I am gratified for this opportunity to share with you and the other members of the Budget Committee the views and estimates of the international affairs budget function pursuant to section 301(d) of the Congressional Budget Act.

I reiterate my strong support for your efforts to reduce all federal spending and to balance the federal budget by 2002. The FY 1996 budget resolution approved by Congress was historic in that, for the first time in decades, federal government spending has been placed on a glide slope to balance our budget. I know that you and the other members of the Budget Committee were forced to make immensely difficult decisions about which federal programs to cut in order to achieve a balanced federal budget in seven years. As spending for domestic programs is reduced, equal or greater cuts must be made in international programs.

CLINTON ADMINISTRATION FY 97 BUDGET REQUEST

During his State of the Union address in January, President Clinton claimed that, "the era of big government is over." Regrettably, the President's budget fails to match his rhetoric. According to the excellent research conducted by your staff, the President's budget would increase overall budget authority in the international affairs account by more than $1 billion (6.7 percent) in Fiscal Year 1997. Further, the Administration's budget seeks to increase discretionary budget authority in the 150 account by $1.4 billion, or 7.3 percent, in Fiscal Year 1997 and increase outlays by $700 million. Over seven years, the President's budget would increase international affairs spending by more than $2.6 billion.

FOREIGN AFFAIRS AGENCIES REVITALIZATION AND CONSOLIDATION

In March 1995, I unveiled a plan to restructure completely our nation's antiquated and anachronistic foreign affairs apparatus. Originally this plan sought to abolish the Agency for International Development (AID), the Arms Control and Disarmament Agency (ACDA), and the U.S. Information Agency (USIA). In an effort to accommodate the Administration, many important modifications were made during the legislative process. As presented to the President, this legislation would have mandated the abolition of at least one of these agencies and required $1.7 billion in savings over the next four years.

Regrettably, the President vetoed this historic legislation on April 12, 1996. Apparently, despite his rhetoric, the President fell prey to the very bureaucratic self-interests which he claimed he intends to eliminate. The concept of consolidation enjoys the support of a majority in Congress, five former Secretaries of State, and the current Secretary, Warren Christopher, proposed an even more sweeping consolidation than the one which Congress sent to the President. I intend to pursue legislation this year which would eliminate these agencies.

Voluntary separation incentive—602(a) allocation

It is still the Committee's intent to pursue an agenda to downsize the federal bureaucracy and federal agencies within the Committee's jurisdiction. If the Committee is successful in these efforts or if the Administration decides to pursue the $5 billion in savings in the 150 budget function, as promised in January 1995, by abolishing one of the agencies (Arms Control and Disarmament Agency, Agency for International Development, United States Information Service), the abolished agency or agencies will require authority for voluntary separation incentives. Since direct spending costs are associated with this authority, the Committee will require a direct 602(a) allocation. The Committee would greatly appreciate the Budget Committee's assistance in providing this allocation for use in the handling employees of the abolished agencies.

FOREIGN ASSISTANCE

I am disappointed, albeit not surprised, that the President's budget calls for a $400 million increase in spending on foreign aid programs in Fiscal Year 1997. Congress made great strides in cutting foreign aid spending in 1996—slashing more than $1 billion from the FY 1995 level—but Congress's work is far from finished.

It is indefensible to continue to provide foreign aid to more than 100 foreign countries while important domestic programs are cut. While supporters of larger foreign aid programs claim that international affairs spending accounts for just over one percent of the entire federal budget, they neglect the fact that more than 14 percent of our budget is dedicated solely to paying the interest on the federal debt—a debt that now soars above $5.2 trillion. Our government cannot afford to borrow money so that government bureaucrats can continue to spend huge sums on overseas aid.

The Agency for International Development has yet to transmit to Congress its FY 1997 Congressional Presentation Document which includes information about which nations it wishes to provide aid and a justification of the need for that aid. It is difficult, therefore, to make specific recommendations to the Budget Committee since AID has not yet provided this basic information to Congress. I recommend the following for your committee's consideration:

Development assistance

Development Assistance should be reduced further. According to President Clinton's 1993 task force on foreign aid reform, "Despite decades of foreign assistance, most of Africa and parts of Latin America, Asia and the Middle East are economically worse off today than they were 20 years ago." I see no evidence that the trend has been reversed over the past year as a result of additional AID funding, yet the President's budget calls for a $90 million increase in the Development Assistance account.

Within the Development Assistance account, the Administration is requesting $435 million for population control programs. During this Administration, the population control account more than doubled. While slightly reduced from last year's levels, the fiscal year 1997 request is still $112 million more than the highest level of the previous Administration. Spending on controversial population control programs has become bloated at the expense of popular programs such as child survival and education. The Administration also intends to use unspecified but significant amounts of Economic Support Funds (ESF) for population control, as well as $30 million for the United Nations Population Fund (UNFPA). I urge the Budget Committee either to reduce further funds for population control and/or to shift scarce resources from population control to more popular development assistance programs.

International fund for Ireland

Funding for the International Fund for Ireland should be terminated. During the past year, the IFI has devoted more than $5,000 to conduct a feasibility study for a bicycle trail and $3,000 to "planning a seminar to develop a drama project." Ending this program would save millions annually.

Housing Guarantee Program

AID's Housing Guarantee (HIG) program should be terminated. Last year, the General Accounting Office, when recommending termination of this program, reported, "We estimate that the cost to the U.S. government of future loan defaults from the existing portfolio of loans is likely to be an additional $600 million." That is on top of the $400 million GAO estimates has already been lost.

AID operating expenses

AID's Operating Expenses are once again on the rise. Every year Congress hears the political rhetoric about streamlining of procedures, reductions in personnel, reduction in bureaucratic redundancies, and other cost saving measures, yet every year the budget request for AID/OE is above the level appropriated by Congress the previous year. Although, AID has yet to make available to the Foreign Relations Committee a detailed breakdown of its OE request, at least some portion is expected to be allocated for the agency's proposed move into the Federal Triangle Building which Congress has prohibited in 1996. Operating Expenses should be reduced by at least an amount equal to that AID requested for its move into the Federal Triangle. Further, it is impossible to justify an increase in OE when, for example, those funds are used by AID's mission director in Moscow spend $300,000 on renovations to his home.

AID currently maintains more than 80 overseas missions and recently announced that it will open a new mission in Angola this year. According to Vice President Al Gore's Reinventing Government task force, it costs taxpayers between $150,000 and $300,000—exclusive of salary—to keep a single AID employee overseas. Reducing the overstaffed AID missions overseas is an important step to reducing AID's operating costs.

It is important to note that the Office of the Inspector General at AID has requested $8 million *reduction* for its operating expenses below its FY 1995 level. It is rare that any office in the federal government actually seeks to have its budget reduced, but this clearly shows that federal agencies can do more with less.

Debt forgiveness

Congress should not approve the President's request of $22 million for debt forgiveness, which represents a 500 percent increase above FY 1995 appropriated level. Administration budget documents cite only three countries—Nicaragua, Liberia and Ivory Coast—as prime candidates for debt forgiveness. Liberia has collapsed into anarchy and civil war; Nicaragua, despite receiving more than $1 billion in U.S. aid, refuses to compensate adequately Americans who property was stolen by the government. In addition, the President is requesting $25 million in debt forgiveness for Jordan, on top of the $275 million provided in FY 1995.

Inter-American Foundation and African Development Foundation

Funding for the Inter-American Foundation—which has spent more than $1 billion since its creation—and the African Development Foundation should be cut significantly. Abolishing these two foundations outright, which I advocated last year, would save the taxpayers at least $35 million annually. Unless these organizations move swiftly to attract private funds for their sustainability, modest Congressional support will evaporate altogether.

Economic Support Fund

The President has requested a $49 million increase in Economic Support funds (ESF). While the Administration seeks to increase ESF, it intends to divert greater amounts for purely development projects rather than economic purposes. The use of scarce ESF resources for development projects in Haiti, for example, clearly illustrates the Administration's misuse of ESF. Similarly, the use of ESF for population control programs over and above the $435 million already requested by AID is unwise.

More than 80 percent of all ESF is dedicated to nations in the Middle East. It is, therefore, curious that the President would recommend initiating a new democracy program in the region at a cost of $1.4 million. New programs in the Middle East should be funded out of existing resources already dedicated to the region.

As in FY 1996, the Administration is attempting to have the best of both worlds when requesting ESF and narcotics assistance. While consolidating all narcotics funding under the International Narcotics Control account, the Administration has chosen not to reduce ESF account proportionally. Both accounts, therefore, are increased. The Budget Committee should be aware of, and should make necessary adjustments to, these two accounts.

Multilateral development banks

Middle East Development Bank.—The Administration is requesting $52.5 million for the creation of this new multilateral financial institution. Given the track record of the other MDBs in terms of accountability and transparency, the U.S. should not seek to establish yet another international bureaucracy. Considering the Middle East already consumes more than 40 percent of our nation's entire foreign aid budget, it would be unwise to dedicate new and scarce resources to this region. If the Administration is intent on creating this new institution, then it might consider diverting a portion of the ESF already dedicated to nations in the region for this purpose.

African Development Bank and Fund.—Congress should not support the President's request for $66 million for the AfDB and the AfDF. Despite the Administration's claims that the AfDB has been "radically reformed and restructured", Congress has yet to receive concrete proof of these reforms. Unless true reforms are enacted, not simply promised, by AfDB officials, any U.S. assistance will only postpone the inevitable collapse of this institution.

International Development Association (IDA).—President Clinton is requesting $934 million for IDA, an increase of more than $230 million above the current level. The Administration claims this increase will allow the U.S. to pay money "now overdue" to IDA. However, this "overdue" money is "overdue" because the Executive Branch made commitments to IDA without seeking Congressional guidance. In the future, the Executive Branch should consult with Congress *prior* to entering into binding financial commitments with IDA and the other international financial institutions, rather than afterwards.

International organizations and programs

Congress should reduce significantly the President's request of $325 million for U.N. voluntary programs. Congress appropriated only $285 million for the current fiscal year. Within this request, the Administration has asked Congress to provide an increase of $26.7 million for the United Nations Development Program (UNDP). Congress should cut funding a UNDP further, especially since this increase comes at the expense of UNICEF, which has long been a popular program in Congress. First, UNDP serves simply as a pass-through to other UN agencies or to international contractors, making UNDP an unnecessary middleman. Second, according to General Accounting Office research, UNDP has no way to monitor projects which fail or which fall victim to other waste, fraud, or abuse. Third, UNDP has established no criteria for "graduating" a country from aid, other than an arbitrary worldwide GNP threshold, so it is impossible to measure the true effect of UNDP funding on a country.

There is serious overlap of activities in many of U.N. agencies funded under this account. For example, U.N. programs comprise many environmental organizations such as the U.N. Environmental Program (UNEP), the Environmental Fund of UNEP, Related Activities of UNEP, the Montreal Protocol Multilateral Fund, the International Union for Conservation of Nature, the Ramsar Convention on Wetlands, the Intergovernmental Negotiating Committee, the U.N. Framework Convention on Climate Change, the World Heritage Fund, and the World Meteorological Organization's Special Fund for Climate Change. Each of these organizations has emerged as a new international bureaucracy, with large operating and overhead budgets. The Administration must prioritize its request in regards to this account, rather than simply funding every new U.N. initiative blindly.

To preempt Congressional efforts cut off funding for the United Nations Population Fund (UNFPA), the Administration has repeatedly assured Congress that UNFPA will end its program in communist China this Spring. Mr. Chairman, you have heard the horror stories about Chinese women being forced to abort their babies and undergo forced sterilization procedures. For this reason, most Americans to not support UNFPA's assistance of China's brutal population control program. I urge the Budget Committee to recommend an end to funding of UNFPA until it permanently ceases all activities in the People's Republic of China.

ARMS CONTROL AND DISARMAMENT AGENCY

The Arms Control and Disarmament Agency (ACDA) should be abolished and only its essential functions should be incorporated into the Department of State. Abolishing ACDA is not a new concept. In 1993, the State Department proposed a detailed plan to abolish ACDA and transfer its functions and personnel in the Department, resulting in cost savings of $25.8 million annually. The Clinton Administration in 1992 proposed the abolition of ACDA, only to be rebuffed by a Democratic Congress. Current Secretary of State Christopher, too, proposed the abolition of ACDA.

UNITED STATES INFORMATION AGENCY

International exchanges

The Foreign Relations Committee continues to support international exchange of peoples and ideas. However, according to a report issued by the United States Information Agency in 1995, the U.S. government funded over $1.67 billion in international exchanges conducted by more than 28 federal agencies. USIA maintains there is over $400 million of duplication or exchanges with "similar objectives". Since the federal agencies conducting exchanges fall under the jurisdiction of many different Committees, it will take some amount of cooperation to rectify the problems of overlap and rationalize the funding for international exchanges.

Under the Fulbright-Hays legislation, USIA was given the authority to preform oversight over all government exchanges. This authority was reaffirmed and expanded by an Executive Order in 1978 which dictated that "any ordering of the government's present uncoordinated approach to international exchange activities would help rationalize expenditures and increase effectiveness" of the activities. It's been almost 20 years since that Executive Order was promulgated and the U.S. government is still unable to coordinate and rationalize these exchanges effectively. USIA coordination role has been limited to the issuance of a report on exchanges the production of which has been hampered severely by other federal agencies that apparently do not wish to explain how they use their budgets on international exchanges. The Agency for International Development has been particularly recalcitrant in supplying USIA with information for this report.

The Budget Committee could find at least $400 million in savings from international exchanges out of various budget functions and this Committee would support your efforts to do.

Broadcasting Board of Governors

The International Broadcasting Act of 1994 (Public Law 103–236, the Foreign Relations Authorization Act for Fiscal Years 1994 and 1995) established the Broadcasting Board of Governors to direct and supervise all U.S. government funded, non-military broadcasting. All nine members of the Board were confirmed by the Senate in 1995. Since that time, the Board has hired a full-time staff of highly-paid professionals and plans to increase that number. The Committee questions the need for both top-level management personnel at the Board and top-level managers for broadcasting at USIA. It is the Committee's belief that the management activities would be duplicative and feels that USIA management is better versed in the day-to-day operations of international broadcasting programs. Duplication in bureaucratic management functions should be avoided to the greatest extent possible. In considering the budget for USIA, specifically in the Salaries and Expenses account, the Budget Committee should take this situation into account. This Committee would support legislation that would contain the scope of the Board's activities.

DEPARTMENT OF STATE

Capital investment fund

The Department of State should continue to devote an increasing percentage of resources to the development of more advanced technology throughout the Department and in embassies around the world. Replacing antiquated management information systems will allow the Department to meet its long-term goal of eliminating duplication and decreasing the overhead costs associated with excessive personnel. As the Budget Committee assess the international affairs budget account, in general, an emphasis should be given to increasing those resources allocated for improving information systems.

Mr. Chairman, thank you again for the opportunity to share the Committee's views about necessary reductions in the international affairs budget account. I hope these recommendations are useful as your committee prepares its Fiscal Year 1997 budget resolution.

Sincerely,

JESSE HELMS.

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC, April 25, 1996.

Hon. PETE DOMENICI,
Chairman, Senate Committee on the Budget,
601 Dirksen Office Building, Washington, DC.

DEAR PETE: Pursuant to Section 301(d) of the Congressional Budget Act, I am submitting my views and estimates with respect to federal spending in the jurisdiction of the Senate Governmental Affairs Committee.

Many of the provisions in the President's budget impacting federal employees are similar to those contained in my package which the Governmental Affairs Committee submitted as part of the Budget Reconciliation Act of 1996. Like the Governmental Affairs Committee's package, the Administration's budget would continue the April payout of cost-of-living adjustments to federal retirees through 2002. The President included our provision to increase the amount employees contribute to retirement by an additional .5 phased in over three years of the budget. The President's budget also adopted a provision of my package to reform the pensions of Members of Congress and their staffs to conform with those given to the majority of all other federal employees.

However, the plans differ over the amount by which agencies are required to increase their contributions to retirement for their CSRS employees. The Governmental Affairs Committee package would have imposed an increase of 1.5%, raising agencies' annual contribution for most employees from 7% to 8.5% each year over the seven years of the budget. The President's budget, however, assumes an increase of almost 11%, with agency contributions now at 7% rising to 17.6%, phased in beginning in 1999. While I appreciate the Administration's efforts to finance fully the costs of current and future CSRS benefits (now 25.14% of payroll), I am concerned about the impact such an increase would have on agency budgets and employees.

As was the case in the Governmental Affairs Committee package last year, no additional appropriations would be made to the agencies to cover these payments. While most agencies would be able to absorb such an incremental increase as that included in our plan last year, under the Administration's budget agencies would have to reduce other discretionary spending significantly in order to transfer to the Civil Service Retirement and Disability Fund the required additional payments ($1.034 billion in FY 1999, rising to $3.936 billion in FY 2002).

As chairman of the Governmental Affairs Committee, I am interested in exploring savings and deficit reduction that can be achieved through Executive Branch reorganization and the consolidation and elimination of programs. However, the pressure these additional payments will exert on agency budgets may result in reductions-in-force which could have uneven effects across agencies depending on their share of CSRS-covered workers. The resulting downsized workforce might not reflect rational personnel realignment objectives.

When you begin consideration of the Budget Resolution for fiscal year 1997, I would urge you to consider including the package adopted by the Governmental Affairs Committee last year, which represents $10.1 billion in savings in mandatory spending.

With best wishes,

Cordially,

TED STEVENS, *Chairman.*

U.S. SENATE,
COMMITTEE ON INDIAN AFFAIRS,
Washington, DC, April 23, 1996.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

Hon. J. JAMES EXON,
Ranking minority member, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR CHAIRMAN DOMENICI AND SENATOR EXON: This letter is in response to your request for the views and estimates of the Committee on Indian Affairs on the President's Budget Request for fiscal year 1997 for Indian programs.

COMMITTEE HEARINGS AND LEGISLATIVE RECORD

The Committee held three hearings on the President's Budget Request in mid-April, receiving oral and written testimony from the Department of the Interior, the Indian Health Service, the Department of Housing and Urban Development, the Department of Education, the Environmental Protection Agency, and numerous other Federal agencies, Indian tribes and tribal organizations.

OVERALL FEDERAL SPENDING PATTERNS ON INDIANS AND NON-INDIANS

As in previous years, the Committee asked the Library of Congress to prepare an analysis of the Federal spending trends on programs for American Indians and Alaska Natives over the past twenty years, as well as a comparison of this spending relative to Federal spending for other Americans. We have attached a copy of the April 15, 1996 Library of Congress report for your reference.

The Library of Congress study reveals that, despite the efforts of the Committee on the Budget and the Committee on Appropriations to respond to the acute needs of Indian and Native communities, the gap between what the Federal government has annually spent overall on Indians, in contrast to the funds which the United States has spent on non-Indians for purposes other than the national defense, has steadily worsened for Indians since 1985. Graph 23B at page CRS–40 of the study displays this growing gap in constant 1994 dollars.

The Administration's fiscal year 1997 budget request seeks only very minor increases in absolute dollars for most Indian programs. It also proposes to spend a slightly larger portion of these funds at the local level in Indian Reservation or Native communities. In 1994 constant dollars, the fiscal year 1997 budget request for Indian programs overall would effect a modest reversal of the growing gap between the funds the United States annually spends on non-Indians and those it applies to the benefit of Native Americans. Given the harsh conditions and continuing needs that exist in much of Indian Country, the Committee supports the overall Indian program funding levels requested by the Administration for fiscal year 1997.

In its action on the fiscal year 1996 budget, the Congress applied major reductions to new housing development, to educational assistance for Indian children, to the Tribal Priority Allocation (TPA) accounts which reflect the highest priorities identified by tribal governments for the provision of fundamental governmental services at the local level and which typically are spent under the direct control of Indian tribes, and to Federal administrative office accounts within the Bureau of Indian Affairs. The Administration's fiscal year 1997 budget request acknowledges these cuts, and responds by continuing some of the reductions made to some of the accounts while seeking to restore funding levels for some other accounts. The majority of the funds the Administration seeks to restore are in areas of Indian program spending which are either directly controlled by tribal governments or expended at the Indian Reservation and Native community levels.

Tribal governments are, of course, the governments closest to the American Indians and Alaska Natives who suffer the most dire and unmet needs. Yet most of the Federal funds that have been made available for Native Americans in the past two decades have tended to result in expanded Federal bureaucracy rather than an increase in tribally-controlled budgets. For Indian people, this fact has compounded their problems, as their tribal governments face greatly increased responsibilities without corresponding financial support.

RELATIVE NEED FOR FEDERAL SPENDING ON INDIANS

When compared with all other citizens of the United States, American Indians and Alaska Natives continue to suffer the worst conditions of unemployment, dilapidated and overcrowded housing, poor health, inadequate education, deteriorating or non-existent social and physical infrastructure systems, and other social and economic factors that seriously, and sometimes critically, erode the dignity and quality of life.

1990 census data released by the Bureau of the Census last year confirms these conclusions in the area of housing: 18% of all American Indian households on Reservations are "severely crowded." The comparable figure for non-Indians is 2%. Likewise, while 33% of all Reservation households are considered "crowded", the comparable figure for all households nationally is 5%. Approximately 90,000 Indian families are homeless or underhoused. One out of every five Indian homes lacks complete plumbing facilities.

According to the Census Bureau, nearly one in three Native Americans lives in poverty. The number of Indian families below the poverty line is nearly three times the national average. One-half of all Indian households headed by a female live in poverty. One-half of the Indian children under the age of six living on reservations live in poverty. For every $100 earned by U.S. families, Indian families earn $62. The average per capita annual income for an Indian living on the reservation is $4,478. Poverty in Indian country is a persistent, everyday reality.

Poor health is the twin sister of poverty. Tuberculosis strikes down Native Americans at four times the national mortality rate for this disease. The Indian mortality rate for diabetes exceeds the national average by 139 percent. Indians are four times more likely to die from alcoholism than are other Americans. Fetal Alcohol Syndrome rates among Native Americans are six times the national average. In some Indian communities, reported cases indicate that child abuse has victimized as many as one-fourth of the children. By all measures the health status of Native Americans lags significantly behind every other group of Americans.

In recent decades, there have been two basic justifications given for the Federal funding of Indian programs. The first can be understood as a desire by the United States to address the compelling human needs revealed in statistical surveys like those summarized above. Tribal and Federal officials continue to inform the Committee on Indian Affairs of the existence of an overwhelming backlog of underdeveloped social, physical, and human infrastructure in Indian Country, which they attribute to years of Federal underfunding and relative Federal neglect. Many Indian tribes believe that there is an absolutely vital need for greatly increased Federal funding simply to "catch up" to the rest of America. The second basis for Federal funding of Indian programs can be understood as one expression of the unique, government-to-government relationship between the United States and each tribal government arising from well-settled principles of Federal-Indian law. The courts have construed this law on the basis of treaties, agreements, statutes, Executive Orders, course of dealings, and jurisprudential precedence, which typically have relied on a rationale that the Indian tribes transferred to the United States land or other resources in return for peace and appropriations.

A. Committee recommendations on the Indian Health Service budget request

Within the Department of Health and Human Services, for fiscal year 1997, the Administration has requested $2.174 billion in budget authority for the Indian Health Service (IHS). This amount represents an increase of $174.4 million over the total provided in the December, 1995 conference committee mark for fiscal year 1996 (hereinafter "FY96 conference mark"). The request represents an 8.7% increase for Indian health programs. Tribal and Federal officials have informed the Committee that this increase will actually result in a slight decrease in the level of health care provided to Native Americans, due to three factors: (a) the increasingly acute levels of unmet need for health care in Indian Country; (b) the expanding population growth of Indian beneficiaries requiring service; and (c) higher than average inflationary costs in the field of rural health care delivery. The requested increase is comprised of $138.107 million for services and $36.293 million for facilities. The Committee generally commends the Administration for its fiscal year 1997 budget request for the IHS and for abandoning the gross over-inflation of projected third party collections, a past practice that the Congress has repeatedly rejected.

1. Population Growth.—The Administration's fiscal year 1997 budget request for IHS does not adequately meet the population growth requirements necessary to maintain the level of services provided in fiscal year 1996. The IHS fiscal year 1997 budget justification indicates there are about 1.4 million American Indians and Alaska Natives served by IHS funded operations. The Library of Congress reports that this service population is growing at an annual rate of 3.8%, creating an annual average increase of 38,679 additional Indians to be served. The average cost of care is approximately $1,260 per Indian out of the $1.760 billion health services budget authority likely to be provided for fiscal year 1996. This means that a nearly $50 million increase for the additional patients associated with population growth would be required simply to maintain existing service levels for all American Indians and Alaska Natives in fiscal year 1997.

2. Contract Support Requirements.—The fiscal year 1997 IHS budget request seeks an increase of $46.115 million for contract support costs, including unfunded costs carried over from prior fiscal years and new and expanded program assumptions in fiscal year 1997. The Administration has informed the Committee that this request will meet existing requirements and allow expanded numbers of Indian tribes to assume the operation of programs and activities previously administered by the Federal bureaucracy. Two years ago, the Congress enacted Public Law 103–413 to expand tribal opportunities to operate Self-Determination contracts or Self-Governance compacts in order to do for themselves what previously had been done for them by Federal bureaucrats. In the Committee's view, IHS should make contract support funds available to the Indian tribes at the levels tribes have negotiated with the Inspector General's office. Shortfalls in contract support funding are a major obstacle that keeps Indian tribes from expanding their contracts or compacts. These shortfalls result in the present Federal service bureaucracy being preserved and tribal initiative being discouraged. The Committee commends the Administration for making this cost item a priority in its budget request.

3. Sanitation and Health Facility Construction.—In fiscal year 1990, Congress directed the IHS to prepare a 10-year plan to address the backlog of sanitation deficiencies for existing Indian homes and communities. Since then, annual appropriations have not met the level of need identified each year, and additionally, population growth, inflation, and more stringent environmental regulation have increased the backlog of need. IHS now estimates the backlog at $630 million. To meet the ten-year plan by the year 2000 would require annual funding levels of $146.5 million simply to meet the needs of existing housing. The Administration request is $127.9 million, an increase of $43 million over the FY96 conference mark. Given the constraints on increases in Federal spending, the Committee commends the Administration for making this matter a priority.

The Administration has requested no funds for new health facility construction projects in fiscal year 1997, including only $2.9 million to complete previously funded design projects for two health centers and one hospital. The Administration's 5-Year Planned Construction Budget has estimated the cost of projects already on the IHS new health care facilities and staff quarters new construction priority lists at more than $600 million. In addition, there are 22 additional facilities which will be added to the priority list in the next year, for which cost estimates have not yet been finalized.

The Committee wishes to emphasize that it desires to work with the Committee on the Budget, the Committee on Appropriations, the Congressional Budget Office, and the Office of Management and Budget in the immediate future to explore alternative financing mechanisms or other cost effective and aggressive means to address the overwhelming backlog of need for construction of new or replacement sanitation and health facilities, by leveraging private capital investment, including consideration of how capital leases are scored, a Federally-guaranteed loan program, or a tribal investment bank that would result in the construction of much-needed facilities far more quickly than is now possible under the present discretionary appropriations structures.

B. Committee recommendations on the Bureau of Indian Affairs budget request

The Bureau of Indian Affairs (BIA) fiscal year 1997 request, within the Department of the Interior, would provide for $1.783 billion in current budget authority, a $53.1 million or 3% increase over the enacted fiscal year 1995 level of $1.729 billion, and a $211.1 million or 13.4% increase over the FY96 conference mark. Tribal and Federal officials have informed the Committee that this increase will actually result in a slight decrease in the amount of service provided to Native Americans, due to three factors; (a) the increasingly acute levels of unmet needs in Indian Country; (b) the expanding population growth of the Indian beneficiaries requiring service; and (c) higher than average inflationary costs. The requested increases are primarily allocated to the Reservation and Native community level through the tribal priority allocation (TPA) account, which gains $157.5 million over the FY96 conference mark or $67.7 million over the fiscal year 1995-enacted level. These increases provide funds for local, essential governmental services and for tribal Self-Governance compact and Self-determination contract support requirements. One other significant increase in the President's Budget Request is for BIA education programs, an increase of $43 million over the FY96 conference mark or $45 million over the fiscal year 1995 enacted level.

The Committee generally commends the Administration for its fiscal year 1997 budget request for the BIA. In adopting the fiscal year 1996 conference report on Interior Appropriations, the Congress made significant reductions in three general areas of the BIA budget; (a) tribal priority allocations (TPA), which are funds directly controlled by tribal governments; (b) Central Office accounts; and (c) Area Office accounts. In August, 1995, the Senate-approved TPA funding reductions of more than $200 million from the fiscal year 1995 levels, nearly a 28% cut. In mid-December of 1995, the House-Senate Conference Committee lessened that reduction, providing $654 million for TPA in fiscal year 1996, a reduction of approximately $68 million or 9.5% from fiscal year 1995 funding levels. The conference level would also fund Central Office operations at $50 million, which is $14 million or 22% below the fiscal year 1995 funding levels. The conference action would fund BIA Area Office operations at $37 million, which is $16 million or 30% below fiscal year 1995 funding levels. These reductions at the Area Offices, the Central Office, and at the agency/tribal level will significantly reduce the delivery of vital services provided by the BIA and tribal governments and will require a major restructuring of BIA offices and staffing patterns during fiscal year 1996 and future years. The President's Budget Request for fiscal year 1997 maintains the reductions made by Congress to the Central Office and Area Office operational accounts in the FY96 conference mark.

On December 12, 1995, the Committee ordered reported S. 814, a bill to reorganize the BIA according to the priorities set by tribal governments rather than the Federal bureaucracy. Without the tribal negotiating authority provided under S. 814, tribes have concluded that the BIA staff reductions required by the fiscal 1996 funding cuts will not be made pursuant to any tribally-developed plans or reflect any tribal priorities for BIA reorganization. S. 814 would require, during the remainder of fiscal year 1996, a dramatic reorganization of the BIA so that all funds appropriated for Indians through the BIA are spent directly by, or under the direction and control of, American Indian and Alaska Native tribal governments. S. 814 would allow Indian tribes to refashion the BIA into a technical support agency, and thereby provide Congress a greater degree of confidence that the funds requested through the BIA will be more efficiently spent by an on behalf of Native Americans.

C. Committee recommendations on other agencies' budget requests.

Various Federal agencies maintain programs of direct or otherwise measurable benefit to American Indians and Alaska Natives.

The Committee On Indian Affairs wishes to provide additional recommendations on several of these programs as outlined below.

1. Department of Housing and Urban Development (HUD).—In his testimony before the Committee on Indian Affairs on April 17, 1996, HUD Secretary Henry Cisneros set forth a commendable plan for dramatically increasing the allocations of HUD funds to American Indian and Alaska Native housing and community development even as the Department undergoes down-sizing and funding reductions. Given the critical housing needs in many Indian communities, HUD's fiscal year 1997 request includes a significant overall reallocation of HUD funds to support increased funding for the needs of Native Americans. While the need for new and replacement housing continues to grow in the face of severe overcrowding in Native American communities, the Administration's fiscal year 1997 request for budget authority for the construction of new homes is reduced to $200 million from the $248 million originally provided in fiscal year 1995 but reflects an increase of $40 million over the amount last approved by Congress to be provided in fiscal year 1996 for this purpose. Of particular note is a $19 million increase (from $50 million to $69 million) for the Community Development Block Grant Fund program. The Committee commends the Secretary for his responsiveness to the acute housing and community development needs in Indian Country, and recommended to the Committee on the Budget that the HUD allocations identified to American Indian and Alaska Natives by maintained at the level requested.

2. Department of Education.—Many American Indian and Alaska Native children attend public schools, which are supported in large part by various programs administered through the U.S. Department of Education, as are schools funded through the BIA. The Administration's budget request for fiscal year 1997 for Indian education programs under the Department of Education seeks $81.5 million, a $29 million increase over the amount provided in the fiscal year 1996 Interior and Related Agencies appropriations bill, and a $459,000 increase over the amount provided in fiscal year 1995. The $29 million increase is designed to restore a sharp reduction made by the Congress to this account for fiscal year 1996.

3. Environmental Protection Agency (EPA).—The Administration's budget request for the EPA for fiscal year 1997 include a total of $98.7 million for EPA's tribal programs, an increase of $13.7 million over its request for fiscal year 1996. EPA asserts the additional funds and resources are available to Indian tribes from general operational assistance and support accounts not expressly identified as tribal programs. The Committee acknowledges and commends the commitment by EPA to increase its focus on specific Indian Reservation and Native community environmental needs which have been neglected for decades. Of particular note is the EPA request for $28 million for its "general assistance program for Indian tribes", an increase of $13 million over its fiscal year 1996 request. The Committee supports this and other increases in the Administration's request for fiscal year 1997, which should result in significant progress in tribal planning and development efforts.

D. Conclusion

The Committee on Indian Affairs, in its April 23, 1996 business meeting, favorably adopted the foregoing letter or recommendations on the budget views and estimates. We very much appreciate the opportunity to provide this information on the President's Budget Request for Indian programs for fiscal year 1997 to the Committee on the Budget and look forward to working with you in the coming year.

Sincerely,

JOHN, MCCAIN,
Chairman.
DANIEL K. INOQUYE,
Vice-Chairman.

U.S. SENATE,
Washington, DC, April 29, 1996.

Hon. PETE V. DOMENICI,
Chairman,
Committee on the Budget,
U.S. Senate, Washington, DC.

Hon. J. JAMES EXON,
Ranking Minority Member, Committee on the Budget
U.S. Senate, Washington, DC.

DEAR CHAIRMAN DOMENICI AND SENATOR EXON: We are writing this letter to request several actions by the Committee on the Budget in support of the Committee on Indian Affairs' April 23rd letter on its views and estimates concerning the President's Budget Request for fiscal year 1997 for American Indian and Alaska Native programs.

We make these requests because of three main concerns. Very harsh living conditions continue to characterize most Indian Reservations and Alaska Native communities. Census statistics reveal that, as a group, Native Americans suffer the worst housing, the highest unemployment rates, and the lowest incomes of all Americans. Nevertheless, an April 15, 1996 CRS study shows that the Federal government has been spending increasingly more on non-Indians than on Indians since 1985. And American Indian and Alaska Native programs bore a painfully huge and inequitable share of the cuts finally imposed by the Congress for fiscal year 1996. For example, the Department of Commerce, which many in Congress initially sought to zero out for fiscal year 1996, ended up with only a 3% reduction from fiscal year 1995 funding levels, while the basic essential governmental programs at the Reservation or Native community level suffered a reduction of nearly 10%. Within the Interior Department, Native American programs were cut 8% in fiscal year 1996, while the Bureau of Land Management was cut 4%, the Fish and Wildlife Service was cut 2%, and the National Park Service enjoyed an increase of 1%.

We write to ask the Budget Committee to build funding into the fiscal year 1997 Budget Resolution that expressly supports the President's full request for the Indian Health Service, the Bureau of Indian Affairs, and the Department of Education (Office of Indian Education), which request would represent a $385.5 million increase over the fiscal year 1996 enacted levels for those agencies. In addition, we ask that you include language in the Committee Report accompanying the Budget Resolution for fiscal year 1997 that incorporates the themes we have set out below in support of the $385.5 million increase. And we ask that the Budget Committee's crosswalk and illustrative 602(b) allocations provided to the Committee on Appropriations reflect the President's full request for these programs, in furtherance of an allocation by the Committee on Appropriations to the Interior and Related Agencies Subcommittee of an increase of $385.5 million over the amount enacted for fiscal year 1996 that is identified to these Indian programs.

PROPOSED BUDGET COMMITTEE REPORT LANGUAGE

The Administration's fiscal year 1997 budget request seeks only very minor increases in absolute dollars for most Indian programs, but it would effect a modest reversal of the growing gap between the amount of money spent on non-Indians and Indians. Very harsh living conditions continue to characterize most Indian Reservations and Alaska Native communities. Census statistics reveal that, as a group, Native Americans suffer the worst housing, the highest unemployment rates, and the lowest incomes of all Americans. For these reasons, we support the Administration's request for Indian programs and recommend that the Appropriations Committee give the highest priority to funding Indian programs at the requested levels for fiscal year 1997.

Within the Department of Health and Human Services, the Administration has requested $2.174 billion in budget authority for the Indian Health Service (IHS), an increase of $174.4 million over the amount enacted for fiscal year 1996. We urge the Appropriations Committee to fund this requested IHS increase of 8.7%. Such a funding increase actually would result in a slight decrease in the level of health care provided to Native Americans, due to three factors: (a) the increasingly acute levels of unmet need for health care in Indian Country; (b) the expanding population growth (3.8% annually) of the Indian beneficiaries requiring service; and (c) higher than average inflationary costs in the field or rural Indian and Native health care delivery. The requested increase is comprised of $138.107 million for services and $36.293 million for facilities. We wish to highlight the fact that the IHS annually spends an average of $1,149 per individual Indian, while for Americans as a whole, an average of $2,764 per person is spent on health services each year. Included in the recommended increase is $46.115 million for the contract support costs of Indian tribes and Native organizations. In recent years, shortages of these funds have become a major obstacle to Native Americans expanding their Self-Determination contracts and Self-Governance compacts, resulting in the present Federal service bureaucracy being preserved and tribal initiative being discouraged. Also included is a $43 million increase in the efforts to address the $630 million backlog of sanitation deficiencies for existing Indian homes and communities. The President has not requested any funds for new health facility construction projects in fiscal year 1997. We intend to work with the Committee on Appropriations, the Congressional Budget Office, and the Office of Management and Budget to explore alternative financing mechanisms or other cost effective and aggressive means to address the overwhelming backlog of need for construction of new or replacement sanitation and health facilities, by leveraging private capital investment, including consideration of how capital leases are scored, a Federally-guaranteed loan program, or a tribal investment bank that would result in the construction of much-needed facilities far more quickly than is now possible under the present discretionary appropriations structures.

Within the Department of the Interior, the Administration has requested $1.783 billion in budget authority for the Bureau of Indian Affairs (BIA). We urge the Appropriations Committee to fund the full amount requested for the BIA. While the amount requested includes an increase of $211.1 million or 13.4% over the amount enacted for fiscal year 1996, it is just 3% over the amount enacted for fiscal year 1995. The requested funding increase will actually result in a slight decrease in the amount of services provided to Native Americans, due to three factors: (a) the increasingly acute levels of unmet needs in Indian Country: (b) the expanding population growth of the Indian beneficiaries requiring service; and (c) higher than average inflationary costs. $157.5 million of the requested increase is for Indian reservation and Alaska Native community tribal priority allocation (TPA) accounts, which provide funds for local, essential governmental services and for Self-Governance compact and Self-Determination contract support requirements. $43 million of the increase is for BIA education programs. While the President's request restores the funds cut by the Congress in the tribal priority accounts, it maintains the reductions made by the Congress in fiscal year 1996 to the Central Office and Area Office operational accounts. We note that the Committee on Indian Affairs has reported a bill that would allow Indian tribes to refashion the BIA into a technical support agency, providing the Congress with a greater degree of confidence that the funds requested through the BIA will be more efficiently spent by and on behalf of Native Americans.

Within the Department of Education request, the President seeks $81.5 million, an increase of $29 million over the amount enacted in fiscal year 1996 for its Office of Indian Education (OIE) programs. We urge the Appropriations Committee to fully fund this request. In a reflection of the severity of the cuts imposed in fiscal year 1996, it is noteworthy that the $81.5 million requested is just $459,000 more than the amount enacted for this purpose in fiscal year 1996. Most American Indian and Alaska Native children attend public schools. OIE funding primarily supports these public school children and, to a lesser extent, Indian children in BIA schools.

We thank you for your kind attention to these requests. We know you both share our concern for equitable and fair treatment of this Nation's Native Americans and will do everything within your power as a Budget Committee to ensure that our national budget priorities are rearranged so that the President's requests in these areas can be provided.

Sincerely,

JOHN MCCAIN,

TED STEVENS,
DANIEL K. INOUYE
BEN NIGHTHORSE CAMPBELL,
U.S. Senators.

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, DC, April 15, 1996.

To: Senate Committee on Indian Affairs, Attention: Patricia M. Zell.

From: Roger Walke, Analyst in American Indian Policy, Government Division.

Subject: Indian-Related Federal Spending Trends, FY 1975–1997.[1]

This memorandum responds to your request that CRS's analysis of Indian-related budget authority be updated to cover fiscal years 1975–1997. The Committee has previously published these CRS analyses in the appendix of its recurring committee print entitled *Budget Views and Estimates* for fiscal years 1989, 1991, 1992, and 1993.[2] The Committee has also included the CRS analyses in its materials printed in the Senate Budget Committee reports on the concurrent budget resolutions for FY 1995 and FY 1996.[3]

The memorandum summarizes trends in most Indian-related areas of the federal budget over the period FY 1975–1997. The budget items selected usually account for two-thirds to three-quarters or more of total federal spending each year on American Indians and Alaska Natives.

The trends are summarized in tables 1–4, and selected trends are illustrated in graphs 1–26. Both tables and graphs are based on the data in appendix tables 1 and 2. For each budget area, tables 1–4 show the following measures: the average level of spending in each year over the time period; the annual charge (i.e., the annual trend) in such spending; the ratio of the annual change in spending to the average level of spending (called the "change ratio"); and an indicator of the consistency of the annual change.

Table 1 covers the period FY 1975–1997, using current dollars. Table 2 covers the same period using constant, or inflation-adjusted, 1994 dollars. Tables 3 and 4 present the same current- and constant-dollar data for the period FY 1982–1997.

The analysis presented here emphasizes constant-dollar figures. Since such figures are adjusted for the effects of inflation, they are better indicators of real changes in spending.

This memorandum is not intended to be a complete analysis of all the Indian-related budget items selected. Rather it is meant to compare trends in major budget items affecting the nation's Indian population (particularly those programs targeting Indians in federally recognized tribes), on the one hand, with trends in parallel budget items affecting the entire U.S. population. The discussion that follows is organized in three parts: methodology and sources;

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[1] Andorra Bruno, Analyst in American National Government, assisted in gathering data for FY 1975–1995. Garrine Laney, Analyst in American National Government, and Megan Perry, Intern, assisted in gathering the data for FY 1975–1991.

[2] S. Prt. 100–116, S. Prt. 101–89, S. Prt. 102–32, and S. Prt. 102–91, respectively.

[3] S. Rept. 103–238 and S. Rept. 104–82, respectively.

budget trends in education, health, housing, and economic development and employment training; and overall trends.

METHODOLOGY AND SOURCES

The Indian-related budget items chosen for this analysis are the Bureau of Indian Affairs (BIA), and some of its components, in the Department of the Interor (DOD); the Indian Health Service (IHS) and the Administration for Native Americans (ANA) in the Department of Health and Human Services (HHS); the Office of Indian Education in the Department of Education; the Indian Housing Development program in the Department of Housing and Urban Development (HUD); and the Indian and Native American Employment and Training Program (INAP)[4] in the Department of Labor. According to figures from the Office of Management and Budget, these agencies annually accounted for about 72 percent of estimated Indian-related spending government-wide in the period FY 1988–1996.

For the BIA program categories chosen for the analysis—education, economic development, natural resources, and tribal (formerly "Indian") services—the memo contains a break in the continuity of the time-series data. The BIA restructured its budget presentation for FY1994, based on recommendations from the Joint Tribal/BIA/DOI Advisory Task Force on Bureau of Indian Affairs Reorganization. The general categories of education, economic development, natural resources, and Indian services, under which specific programs were grouped in previous budget presentations, are not used as general categories in the restructured budget presentation (instead they are used as subcategories within the BIA's new general categories). While the BIA has applied this restructured presentation to its FY1993 budget, it has not done so for earlier years. Hence the time-series data for BIA component programs are internally consistent for FY1975–1992 and for FY1993–1997 but may not be consistent between the two time periods.

In this memo we re-grouped FY1993–1997 data for the relevant BIA programs into the general categories of education, economic development, natural resources, and Indian services.[5] We stress that re-grouping data for the BIA components for FY1993–1997 means that the figures for the components for these years are estimates and that they are not necessarily consistent with earlier years. Hence computations and statistics for these BIA components for the periods FY1975–1997 and FY1982–1997 are also estimates. Furthermore, the special circumstances of the FY1996 and FY1997 BIA budgets required us to estimate spending for some of the BIA programs that we group into the categories, or components, of education, economic development, natural resources, and Indian services. Hence the current-and constant-dollar figures for BIA compo-

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[4] The Indian and Native American Employment and Training Program was authorized by Section 401 of the Job Training Partnership Act (JTPA) of 1982 (P.L. 97–300) and began its expenditures in FY 1984. JTPA's predecessor, the Comprehensive Employment and Training Act (CETA), included a similar Indian employment and training program. This memo uses CETA Indian program spending for the period FY 1975–1983 and INAP spending for FY 1984 to the present.

[5] The re-grouped figures for FY1993–1994 for these BIA components generally produced budget figures that were markedly higher than figures for FY1992. This suggests that analytical statistics for these BIA components based on the FY1975–1997 time series may be skewed, either up or down.

nents for FY1996–1997 in this memo may be subject to later revision.

Spending by agencies is measured in this memo in terms either of appropriations (or budget authority) or of outlays, depending on data availability and on past usage in the Committee's study of FY1989. Indian housing spending data have been available as "use of budget authority," and we include data for both outlays and budget authority in measuring federal spending on housing in general. (Annual outlay and budget authority figures may diverge from each other more in housing, with its multi-year spending patterns, than in other budget areas.)

To adjust for inflation, current-dollar figures were changed into constant dollars. THe base year for the constant dollars was 1994, and the inflation index used to compute constant dollars from current-dollar figures was the Chain-Type Price Index for Gross Domestic Product (GDP). The Chain-Type Price Index is a new index introduced in 1995 by the Bureau of Economic Analysis of the Department of Commerce to measure real GDP, essentially replacing the Implicit Price Deflator. (For further discussion of the Chain-Type Price Index, see CRS Report No. 95–892 E, *A New Measure of Real GDP.*) We use the Chain-Type Price Index instead of the Consumer Price Index (CPI) because the former accounts for inflation in the entire economy rather than just in consumer purchases, and hence is more appropriate for the full range of Indian budget areas.

Statistical measures

The *average,* or mean, *level of spending* during the period FY1975–1997 was computed by dividing total spending over the time period by the number of years.

Annual change (annual trend) and trend consistency over the FY1975–1997 period were both determined by a time-series linear regression analysis. Such an analysis attempts to find the best straight line illustrating the relationship between a variable (here, a budget item) and time. The *Annual change* is the "slope" of such a straight line. The slope, or annual change, shows how much the spending on a budget item changes for every year that passes. (The slope is also known technically as the "coefficient of X" or the "regress coefficient.") *Trend consistency* is the "coefficient of determination," or r^2, generated by a regression analysis. Here, r^2 can be interpreted as follows: if the r^2 is high (i.e., closer to 1), then the trend, whether up or down, is very consistent; if the r^2 is low (closer to 0), then the trend is very irregular.

Change ratio denotes the annual change divided by the average level of spending. This is to control for the fact that the size of a budget item's annual change varies with the total amount of dollars spent by an agency. For instance, an annual change of $10 million for an agency whose average spending is $100 billion a year constitutes a much lower increase, proportionally, than the same $10 million increase for an agency whose average spending is $50 million a year. The change ratio allows one agency's annual change to be compared to that of another agency while taking relative budget size into account.

Sources

Sources for budget data are the respective agencies and the annual *Budget of the United States Government* submitted by the President. Budget data collected included historical appropriations and outlays and FY1997 budget estimates, by agency and by budget function [6] category. Agencies previously contacted include the BIA, IHS, ANA, HUD, Education Department, Interior Department, and Labor Department. HUD was not able to provide Indian Housing Development Program data for FY1975 and FY1977 because the data had been archived.

U.S. population data came from the *Statistical Abstract of the United States* and the Census Bureau's Current Population Reports (Series P–25, No. 1130). We used the figure for total U.S. population, including Armed Forces abroad. Indian population data came from the Indian Health Service's *Trends in Indian Health 1995,* and are based on that agency's service population. IHS population estimates are updated annually.

Historical figures for the Chain-Type Price Index for GDP were obtained from the *Economic Report of the President* (February 1996) and the Bureau of Economic Analysis; projections for 1996 and 1997 came from Data Resources, Inc. (DRI).

EDUCATION

Education data from table 1 show that Indian education spending appears to have been growing from FY1975 to FY1997. The annual change for BIA education, for instance, shows an increase of $14 million per year, for a positive change ratio of 4.19.[7] These figures, however, are in current dollars. Inflation has not been taken into account. The constant-dollar figures in table 2 do take inflation into account. These data show that BIA education has actually fallen by $2.3 million a year, for a negative change ratio of −0.53, during the period FY1975–1997. This pattern—an increase in current dollars and an actual decline in constant dollars—is repeated in most Indian-related budget areas.

Table 2 shows that the U.S. Department of Education budget has averaged $24.2 billion in constant 1994 dollars during FY1975–1997 and has grown at a rate of $415.3 million a year (1.72 change ratio), but with some annual variation (r^2 of .608). In contrast, Office of Indian Education (OIE) programs in the Department of Education which averaged $97.3 million a year in constant dollars, fell $2.9 million a year over the same time period (−3.02 change ratio). The r^2 figure for the OIE in the Education Department (.751) shows that it has fallen fairly consistently over the time period.

Table 4 compares budget trends in constant dollars during the period FY1982/1997. The Department of Education has averaged $25.1 billion during that period, with an increase of $606.7 million a year (2.41 change ratio). BIA education increased $11.1 million

[6] Budget functions represent classifications of budget expenditures by major objectives and operations, regardless of the agency responsible. Budget functions are further divided into budget subfunctions.

[7] Excludes BIA construction for education. As noted above, the time series for BIA education is not internally consistent because of BIA budget restructuring for FY1993–1997. In addition, FY1991 appropriations for BIA education programs included forward funding of $208,900,000 for the 1991–1992 school year (July-June). For this analysis, these funds have been included under FY1991.

a year (2.66 change ratio) in FY1982–1997, faster than the Education Department fell $2 million a year (−2.40 change ratio).

Graphs 1–3 illustrate the trends in education in constant dollars for FY1976–1997. Graph 1 shows the generally upward, but fluctuating, trend for the Department of Education budget. Graph 2 shows a long downward trend with a recent recovery for BIA education, while graph 3 illustrates that the OIE in the Department of Education had a long-term downward trend, followed by a leveling-off, and then a recent fall.

HEALTH

Federal health outlays, as measured by the health budget function (shown in table 2), averaged $62.7 billion in constant 1994 dollars during FY1975–1997, increasing at a rate of $4.1 billion a year, for a change ratio of 6.52. Expenditures of the Department of Health and Human Services (HHS)—excluding Social Security payments and Social Security Administration administrative costs (but including other HHS non-health spending)—averaged $178.9 billion in the same time period, increasing at $10.6 billion a year (5.90 change ratio). Indian Health Service appropriations, in constant dollars, also increased during FY1975–1997, but at a lower rate than those of HHS or the health budget function. IHS's annual increase was $51.8 million, a change ratio of 3.85, on an average level of $1.3 billion.

Spending on the health budget function during FY1982–1997, shown in table 4, was at an average level of $73.5 billion in constant dollars during the period, with an annual increase of $6.2 billion (8.51 change ratio). HHS outlays averaged $210.6 billion in FY1982–1997, increasing $12.9 billion annually (6.13 change ratio). IHS spending during the same period had a lower gain than these two measures, showing a change ratio of 4.97, based on annual increases of $73.6 million and an average spending level of nearly $1.5 billion per year.

Graphs 4–6 depict the trends in the HHS, health function, and IHS budgets for the years FY1975–1997, in constant dollars. They show that the increase over time was more consistent for HHS (r^2 of .929) than for the federal health budget function (r^2 of .831) or the IHS r^2 of .828).

HOUSING

Federal housing expenditure trends differ for outlays and budget authority during FY1978–1997. Outlays have generally risen, on either side of a sudden jump in FY1985, while budget authority fell from FY1978 before leveling off after the FY1985 surge. The trend in Indian Housing Development expenditures (as measured in "use of budget authority") differs sharply from that for federal outlays for housing and more closely resembles that for federal housing budget authority, except that Indian housing development has fallen more steeply. Table 2 shows that Department of Housing and Urban Development (HUD) outlays averaged $23.9 billion in constant dollars from FY1978 to FY1997[8] and increased at an annual

[8] The time period for housing data is shortened from FY1975–1996 to FY1978–1996 because of missing data for Indian housing development in FY1975 and FY1977.

rate of $400.5 million, for a positive change ratio of 1.68. Outlays for the federal housing assistance subfunction increased even faster, rising $861.6 million a year on an average level of $18.1 billion, for a positive change ratio of 4.76. Budget authority for HUD, however, fell $2.2 billion a year in constant dollars, for a negative −6.95 change ratio on average spending of $31.8 billion. Budget authority in constant dollars for the housing assistance subfunction showed the same pattern, falling $1.8 billion a year on average spending of $24.5 billion for a negative change ratio of −7.15. The Indian Housing Development program, as measured by annual budget authority for new construction, decreased in constant dollars at an annual rate of $64.3 million on average spending of $515.7 million, for a negative change ratio of −12.46, a more steeply declining rate than for federal housing budget authority as a whole. Graphs 7 and 8 illustrate the trends in both outlays and budget authority for HUD and the housing assistance subfunction. Graph 9 depicts the trend for the Indian Housing Development Program. Graph 10 combines HUD and housing assistance subfunction outlays with Indian housing development budget authority.[9]

Housing trends during FY1982–1997 are mixed compared with those for the longer period (see table 4). Indian Housing Development program expenditures in constant dollars decreased less rapidly than in FY1978–1997, falling at an annual rate of $26.6 million (−8.52 change ratio) on an average level of $312 million. Overall HUD outlays in constant dollars, on the other hand, were slower than in FY1978–1997, increasing only $254.6 million a year (1.02 change ratio) on an average level of $24.9 billion. Housing assistance subfunction outlays in constant dollars grew faster than HUD spending—a change ratio of 3.22 based on increases of $651.5 million a year with an average level of $20.2 billion—but still lagged behind the rate for FY1978–1997. Budget authority trends for HUD and the housing assistance subfunction, in constant dollars, were somewhat more positive in the FY1982–1997 period than in the longer FY1978–1997 period. As graphs 7 and 8 show, the greatest fall in budget authority for HUD and the housing assistance subfunction occurred before FY1984. (The decline in Indian Housing Development budget authority, as graph 9 shows, extended until FY1990.) During FY1982–1997, HUD's budget authority in constant dollars declined $490.5 million a year on average spending of $23.9 billion, a negative change ratio of −2.05, while housing assistance subfunction budget authority, in constant dollars, fell less rapidly than in FY1978–1997, going down $178.8 million a year on average spending of $17.8 billion, for a change ratio of −1.00.

ECONOMIC DEVELOPMENT AND EMPLOYMENT AND TRAINING

Economic development spending, in constant dollars, has declined during the period FY1975–1997 in both the overall U.S. budget and the Indian-related budget. Here we compare the U.S. community and regional development budget function with the BIA

[9] Budget authority data for HUD and the housing assistance subfunction were not included in graph 10 because they caused scaling problems in the graph.

economic development program [10] and with the Administration for Native Americans, which provides funding for social and economic development projects to Indian tribal governments and nongovernmental Indian organizations. Measured in constant dollars, all three economic development programs have lost ground, but the Indian-related ones have fallen slightly faster. Table 2 shows that the U.S. community and regional development function has declined at an annual rate of $389 million, for a change ratio of −3.31, while averaging $11.7 billion a year in spending during this period. ANA expenditures, with an average level of $46.9 million, have decreased by $2.2 million a year, for a negative change ratio of −4.64. The BIA economic development program has fallen most rapidly, declining by $4.7 million a year—a negative change ratio of −5.51—on an average spending level of $86 million. Graphs 11–13, and the respective r^2s for the community and regional development function (.317), BIA economic development (.669), and ANA (.691), all show that the decline during FY1975–1997 has been more consistent for the Indian-related programs.

Economic development spending during the FY1982–1997 period, measured in constant dollars, continued to decline for Indian but not national economic development, as shown in table 4, although not as fast as in the longer period. The federal community and regional development function rose during this period by $7.6 million a year (change ratio of 0.08) on average spending of $9.4 billion. ANA spending fell by a negative change ratio of −1.16 ($0.4 million a year) on an average level of $36.6 million. BIA economic development went down the fastest, being reduced by a change ratio of −3.11 ($2 million a year) on average spending of $63.4 million. The downward trends were not at all consistent for any of these economic development measures during this period.

Employment and training expenditures, in constant dollars, also declined during FY1975–1997 for both general U.S. programs and Indian-related programs. The federal training and employment subfunction fell at an annual rate of $513.8 million, producing a negative change ratio of −5.25 on average spending of $9.8 billion. The U.S. Department of Labor fell at a slower rate, its larger annual decrease (−$834.7 million) generating a smaller change ratio (−2.10) on higher average spending ($39.7 billion). The Indian and Native American Employment and Training Program (INAP) in the Labor Department had the largest negative change ratio, −9.11, based on an annual decrease of $12.5 million and average spending of $136.7 million.[11] Graphs 14–16 depict these declines in employment and training expenditures.

The FY1982–1997 period saw a lessening of the rates of decline in employment and training expenditures in constant dollars for the Labor Department, the training and employment subfunction, and INAP, as table 4 shows. The Labor Department's negative change ratio shrank to −0.85 because its annual decrease in constant dollars was only $304.1 million on average spending of $35.8 billion. The training and employment subfunction showed a nega-

[10] As noted above, the time series for BIA economic development is not internally consistent because of BIA budget restructuring for FY1993–1997.

[11] As noted above, the time series used here includes CETA Indian programs for FY1975–1983 and the INAP proper for FY1984–1997.

tive change ratio of only -0.17, based on an annual decrease of \$11.8 million and average spending of \$6.8 billion, both in constant dollars. INAP fell at a far higher rate than the Labor Department or the training and employment subfunction during FY1982–1997, losing \$3.7 million in constant dollars annually in spending for a negative change ratio of -5.08, based on average spending of \$73.1 million.

OVERALL BUDGET AREAS

This section compares trends over the time period for the total BIA budget, overall Indian-program spending,[12] and the federal non-defense budget[13] as a whole, using both current and constant dollars. For the BIA, table 1 and graph 17 indicate an increase in spending in current dollars during FY1975–1997, with spending going up by \$45 million a year (change ratio of 3.76) with an average level of \$1.2 billion. Table 2 and graph 18, however, show that in constant dollars there was actually a decline in the BIA budget of \$11.3 million a year (-0.71 change ratio), on an average spending level of \$1.6 billion. A steady increase (r^2 of .844) in current dollars becomes, when corrected for inflation, an uneven decline (r^2 of .134) in constant dollars. As graph 18 shows, the unevenness results from a lengthy decline (in constant dollars) followed by an uneven rise.

Overall federal non-defense spending, however, departs from the pattern for Indian-related spending. Federal spending as a whole in current dollars went up during the period FY1975–1997, at a rate of \$40.4 billion a year (6.44 change ratio) with an average level of \$626.9 billion (see table 1). In constant dollars, federal spending still went up, at a rate of \$20.6 billion (2.61 change ratio) on an average level of \$789.2 billion (see table 2). Graphs 19 and 20 illustrate these upward trends in current and constant dollars.

The overall Indian-related budget follows the same pattern as the BIA. Current-dollar spending during the FY1975–1997 period, as shown in table 1, went up at a rate of \$109.9 million a year, change ratio of 3.92, on an average level of \$2.8 billion. Constant-dollar spending, however, is shown in table 2 to have gone down at a rate of \$15.9 million a year (-0.43 negative change ratio) on an average spending level of \$3.7 billion. The small size of the negative change ratio in constant dollars, and the inconsistency of the related trend (r^2 of .027), result from the same pattern as that for BIA—a long fall followed by a recent uneven upward trend. Graphs 21 and 22 demonstrate the two trends.

Population data can be used to get a simple comparison of per-capita federal spending between the overall U.S. population and the Indian population. Table 1 includes population data similar to the budget data. The data (which include projections for 1996 and 1997) show that overall United States population increased at a rate of 2,342,822 people a year (0.97 change ratio) during the period 1975–1997, with an average level of 241,267,652 people. The Indian population (as measured by the IHS service population) is

[12] "Overall Indian-program spending" means here the six major Indian programs covered in this memo.

[13] The Federal non-defense budget used here excludes both national defense expenditures and net interest payments on the national debt.

much smaller, with an average level of 1,016,945, but it has grown much faster, increasing at an annual rate of 38,679 persons, for a change ratio of 3.80.

To get a measure of per-capita federal spending for each of the two groups, we took each year in the FY1975–1997 period and divided the overall federal non-defense budget by the total U.S. population, and the overall Indian budget by the Indian population. Graphs 23A and 23B illustrate the resulting trends for current and constant dollars, respectively. They show that during the first ten years of the period the federal government spent more per capita on Indians than on the population as a whole. After 1985, however, Indians received less expenditure per capita, under major Indian-related programs, than the population as a whole. Throughout the 1975–1997 period, per-capita spending in constant dollars on the U.S. population as a whole consistently increased, whereas per-capita spending in constant dollars on Indians through major Indian-related programs began to fall after 1979, with a slight upward change from 1990 to 1994. Graphs 23C and 23D display the two populations' growth trends over the 1975–1997 period.

SUMMARY

The data show that Indian-related spending, corrected for inflation, has been going down in almost all areas. Among the Indian-related items examined for the FY1975–1997 period, as measured in constant dollars, only the IHS and two program areas within the BIA, natural resources and tribal services (which here includes the BIA's Housing Improvement Program), have avoided this trend.[14] In the FY1982–1997 period, however, the BIA natural resources program area changes to a negative trend.

The overall downward trend in federal Indian spending is not obvious if one looks only at current-dollar data. One has to look instead at constant-dollar figures. The tables and graphs show that, in constant dollars, overall Indian spending has tended to go down over the full course of the FY1975–1997 period, while overall federal non-defense spending has gone up. The latter years of this period, after 1990, have seen an uneven upward trend in overall Indian spending in constant dollars, though not yet enough to bring the annual change and change ratio to positive numbers.

When one looks not only at overall Indian spending but also at its major components—BIA, IHS, Office of Indian Education in the Education Department, Indian Housing Development program in HUD, ANA, and INAP—one sees from table 2 and graph 24 that, in constant dollars, all major spending items except IHS have declined during the period FY1975–1997. Moreover, a comparison in constant dollars of overall Indian spending and its major components, on the one hand, with comparable budget items in the full federal budget, on the other, indicates that most Indian-program spending areas have lagged behind their equivalent federal spending areas. (See graph 25.) This is true even of IHS.

If BIA spending and overall Indian spending were both to decline in constant dollars at the same rates of annual change during the

[14] As noted above, the time series for BIA natural resources and tribal services is not internally consistent because of BIA budget restructuring for FY1993–1997.

period FY1998–2005 as they did during FY1975–1997 (−$11.3 million and −$15.9 million, respectively, in constant dollars), as shown in graph 26, then by FY2005 overall Indian-program spending in 1994 dollars would have fallen from a proposed $3.94 billion in FY1997 to $3.81 billion in FY2005. BIA spending in 1994 dollars would have fallen from a proposed $1.66 billion in FY1997 to $1.57 billion in FY2005.

If you have any questions, or if I can be of further assistance, please call me at 707–8641.

TABLE 1—Trends in Selected Elements of the Federal Budget in Current Dollars, FY 1975–1997[1]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Eductions:				
U.S. Dept. of Education	$18,935.3	$1,067.0	5.63	0.937
Education function	34,938.2	1,554.5	4.45	0.868
Indian Education Office (U.S. Dept. of Education)	69.8	0.9	1.26	0.343
BIA education	333.3	14.0	4.19	0.682
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	149,957.9	13,909.4	9.28	0.928
Health function	53,042.5	5,307.9	10.01	0.871
Indian Health Service	1,091.4	82.4	7.55	0.930
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays)[3]	19,761.0	1,017.3	5.15	0.773
U.S. Dept. of Housing & Urban Devt. (B.A.)[3]	23,419.8	−561.1	−2.40	0.930
Housing assistance subfunction (outlays)[3]	15,502.5	1,207.0	7.79	0.820
Housing assistance subfunction (B.A.)[3]	17,973.0	−429.0	−2.39	0.131
Indian Housing Devt. Pgm. in HUD (B.A.)[3]	350.0	−29.5	−8.43	0.623
Economic Development and Training and Employment:				
Community & regional development function	8,353.7	108.6	1.30	0.088
Administration for Native Americans (HHS)	32.4	0.1	0.22	0.019
BIA economic development[2]	58.6	−0.6	−1.02	0.084
U.S. Dept. of Labor	28,998.6	686.6	2.37	0.367
Training & employment subfunction	6,692.3	−40.9	−0.61	0.020
Indian & Native Am. Training & Emplt (DOL)[4]	86.1	−4.4	−5.12	0.317
Natural Resources:				
U.S. Dept. of the Interior	5,071.7	205.2	4.05	0.934
Natural resources function	15,117.3	621.4	4.11	0.922
BIA natural resources[2]	112.4	5.3	4.71	0.764
Overall:				
BIA Toal	1,197.4	45.0	3.76	0.844
BIA tribal services[2]	310.8	19.5	6.27	0.916
Overall Indian budget	2,803.8	109.9	3.92	0.772
Federal Non-defense budget[5]	626,946.1	40,353.5	6.44	0.978
Propulation:				
U.S. population	241,267,652	2,342,822	0.97	0.999
Indian population (IHS) ests)	1,016,945	38,679	3,80	0.987

[1] See Appendix table 1 for data used to calculate these figures.
[2] Inconsistent time series from FY 1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction. Data for FY 1996E and FY1997P are CRS estimates.
[3] Covers only FY 1978-1997. B.A. = budget authority.
[4] FY 1975-1983: CETA Indian program. FY 1984-1997: Indian & Native American Training & Employment Program.
[5] Excludes national devense outlays and net interest payments on national debt.

TABLE 2.—Trends in Selected Elements of the Federal Budget in Constant 1994 Dollars, FY1975–1997 [1]

[Constant dollars based on Chain-Type Price Index for GDP]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Dept. of Education	$24,198.7	$415.3	1.72	0.608
Education function	45,975.5	69.7	0.15	0.005
Indian Education Office (U.S. Dept of Education)	97.3	−2.9	−3.02	0.751
BIA education [2]	444.5	−2.3	−0.53	0.032
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	178,909.2	10,558.0	5.90	0.929
Health function	62,740.1	4,089.4	6.52	0.831
Indian Health Service	1,346.0	51.8	3.85	0.828
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	23,906.7	400.5	1.68	0.240
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	31,812.9	−2,211.4	−6.95	0.540
Housing assistance subfunction (outlays) [3]	18,085.3	861.6	4.76	0.574
Housing assistance subfunction (B.A.) [3]	24,511.4	−1,752.6	−7.15	0.457
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	515.7	−64.3	−12.46	0.657
Economic Development and Training and Employment:				
Community & regional development function	11,739.0	−389.0	−3.31	0.317
Administration for Native Americans (HHS)	46.9	−2.2	−4.64	0.691
BIA economic development [2]	86.0	−4.7	−5.51	0.669
U.S. Dept. of Labor	39,716.8	−834.7	−2.10	0.338
Training & employment subfunction	9,788.4	−513.8	−5.25	0.477
Indian & Native Am. Training & Emplt. (DOL) [4]	136.7	−12.5	−9.11	0.471
Natural Resources:				
U.S. Dept. of the Interior	6,690.3	−3.2	−0.05	0.001
Natural resources function	19,982.3	−26.0	−0.13	0.008
BIA natural resources [2]	144.5	1.9	1.29	0.171
Overall:				
BIA Total	1,600.4	−11.3	−0.71	0.134
BIA tribal services [2]	394.0	8.9	2.27	0.637
Overall Indian budget	3,727.9	−15.9	−0.43	0.027
Federal non-defense budget [5]	789,233.6	20.578.6	2.61	0.941

[1] See Appendix table 2 for data used to calculate these figures.
[2] Inconsistent time series from FY 1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education consturction. Data for FY1996E and FY1997P are CRS estimates.
[3] Covers only FY1978–1997. B.A.=budget authority.
[4] FY1975–1983: CETA Indian program. FY1984–1997: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

TABLE 3.—Trends in Selected Elements of the Federal Budget in Current Dollars, FY 1982–1997 [1]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend Consistency (r^2)
Education:				
U.S. Dept. of Education	$22,295.9	$1,223.3	5.49	0.914
Education function	39,066.1	2,134.1	5.46	0.945
Indian Education Office (U.S. Dept. of Education)	72.5	0.6	0.89	0.181
BIA education [2]	368.6	21.8	5.91	0.729
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	191,867.4	18,107.2	9.44	0.951
Health function	67,809.9	7,630.8	11.25	0.936
Indian Health Service	1,336.7	105.7	7.91	0.946
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	21,920.9	936.2	4.27	0.615
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	20,574.3	251.3	1.22	0.051
Housing assistance subfunction (outlays) [3]	18,038.9	1,147.2	6.36	0.681

TABLE 3.—Trends in Selected Elements of the Federal Budget in Current Dollars, FY 1982–1997 [1]—Continued

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend Consistency (r^2)
Housing assistance subfunction (B.A.) [3]	15,470.0	357.9	2.31	0.108
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	256.8	−12.8	−4.99	0.423
Economic Development and Training and Employment:				
Community & regional development function	8,200.6	306.5	3.74	0.404
Administration for Native Americans (HHS)	31.7	0.7	2.10	0.800
BIA economic development [2]	54.2	0.2	0.37	0.007
U.S. Dept. of Labor	31,066.3	793.0	2.55	0.222
Training & employment subfunction	5,968.2	188.9	3.16	0.817
Indian & Native Am. Training & Emplt. (DOL) [4]	61.6	−1.1	−1.81	0.520
Natural Resources:				
U.S. Dept. of the Interior	5,738.2	215.6	3.76	0.930
Natural resources function	16,974.5	750.2	4.42	0.936
BIA natural resources [2]	135.0	2.7	2.02	0.350
Overall:				
BIA Total	1,324.1	60.4	4.56	0.842
BIA tribal services [2]	370.7	23.9	6.46	0.891
Overall Indian budget	3,083.4	153.5	4.98	0.862
Federal non-defense budget [5]	758,749.0	45,698.5	6.02	0.970
Population:				
U.S. population	249,348,563	2,405,504	0.96	0.998
Indian population (IHS ests.)	1,147,544	40,405	3.52	0.979

[1] See Appendix table 1 for data used to calculate these figures.
[2] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction. Data for FY1996E and FY1997P are CRS estimates.
[3] Covers only FY1978–1997. B.A.=budget authority.
[4] FY1975–1983: CETA Indian program. FY1984–1997: Indian & Native American Training and Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

TABLE 4. TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1994 DOLLARS, FY 1982–1997 [1]

[Constant dollars based on Chain-Type Price Index for GDP]

[Dollar figures in millions]

	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (r^2)
Education:				
U.S. Dept. of Education	$25,132.2	$606.7	2.41	0.725
Education function	44,063.3	1,026.2	2.33	0.813
Indian Education Office (U.S. Dept. of Education)	84.4	−2.0	−2.40	0.617
BIA education [2]	414.6	11.1	2.66	0.368
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	210,612.0	12,915.0	6.13	0.951
Health function	73,467.7	6,252.7	8.51	0.932
Indian Health Service	1,481.5	73.6	4.97	0.906
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	24,941.9	254.6	1.02	0.070
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	23,879.1	−490.5	−2.05	0.124
Housing assistance subfunction (outlays) [3]	20,232.8	651.5	3.22	0.302
Housing assistance subfunction (B.A.) [3]	17,826.0	−178.8	−1.00	0.020
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	312.0	−26.6	−8.52	0.620
Economic Development and Training and Employment:				
Community & regional development function	9,389.9	7.6	0.08	0.000
Administration for Native Americans (HHS)	36.6	−0.4	−1.16	0.572
BIA economic development [2]	63.4	−2.0	−3.11	0.315
U.S. Dept. of Labor	35,761.3	−304.1	−0.85	0.030
Training & employment subfunction	6,846.3	−11.8	−0.17	0.011
Indian & Native Am. Training & Emplt. (DOL) [4]	73.1	−3.7	−5.08	0.850
Natural Resources:				
U.S. Dept. of the Interior	6,547.7	39.6	0.60	0.299

TABLE 4. TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1994 DOLLARS, FY 1982–1997 [1]—Continued

[Constant dollars based on Chain-Type Price Index for GDP]

[Dollar figures in millions]

	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (r^2)
Natural resources function	19,283.2	241.1	1.25	0.590
BIA natural resources [2]	155.8	−1.5	−0.95	0.094
Overall:				
BIA Total	1,502.8	20.4	1.35	0.338
BIA tribal services [2]	415.6	13.6	3.27	0.719
Overall Indian budget	3,490.4	61.2	1.75	0.470
Federal non-defense budget [5]	852,556.6	24,846.5	2.91	0.934

Notes:

[1] See Appendix table 2 for data used to calculate these figures.

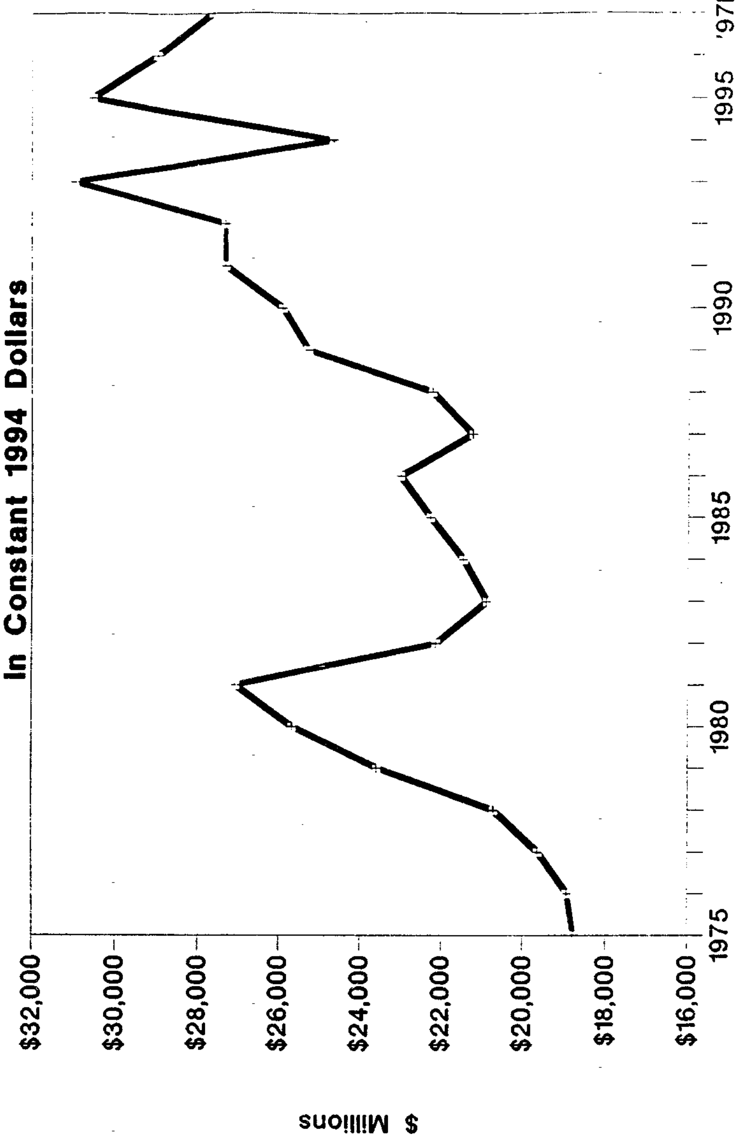
[2] Inconsistent time series from FY 1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction. Data for FY 1996E and FY 1997P are CRS estimates.

[3] Covers only FY 1978–1997. B.A.=budget authority.

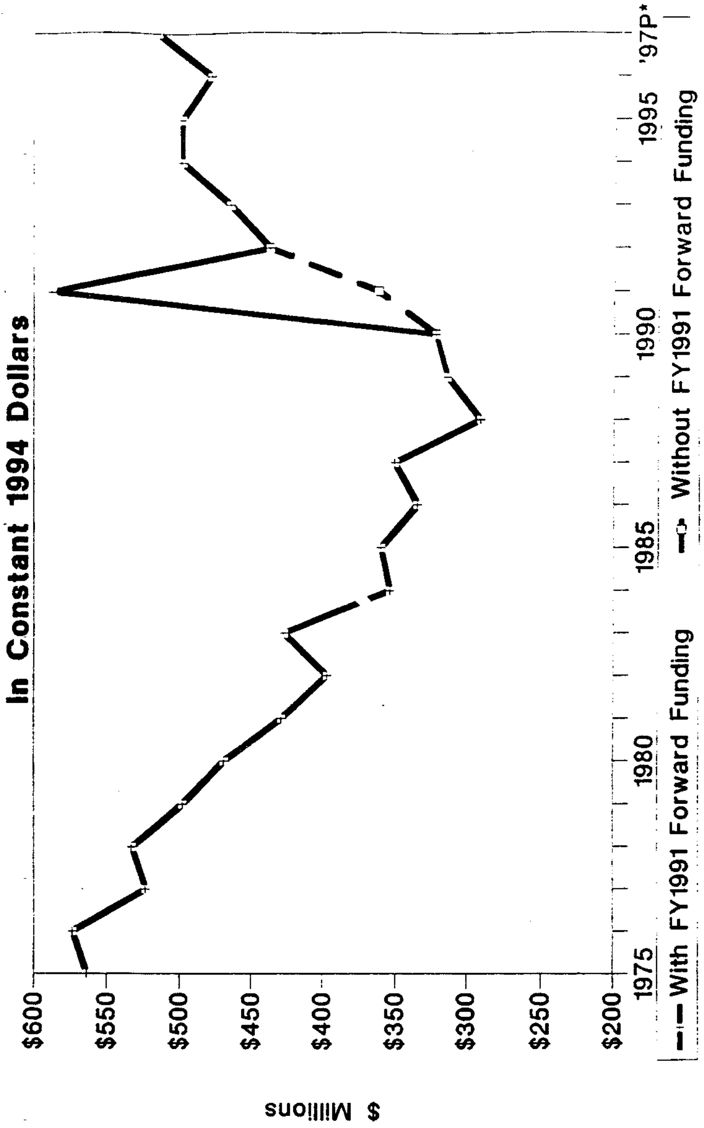
[4] FY 1975–1983: CETA Indian program. FY 1984–1997: Indian & Native American Training & Employment Program.

[5] Excludes national defense outlays and net interest payments on national debt.

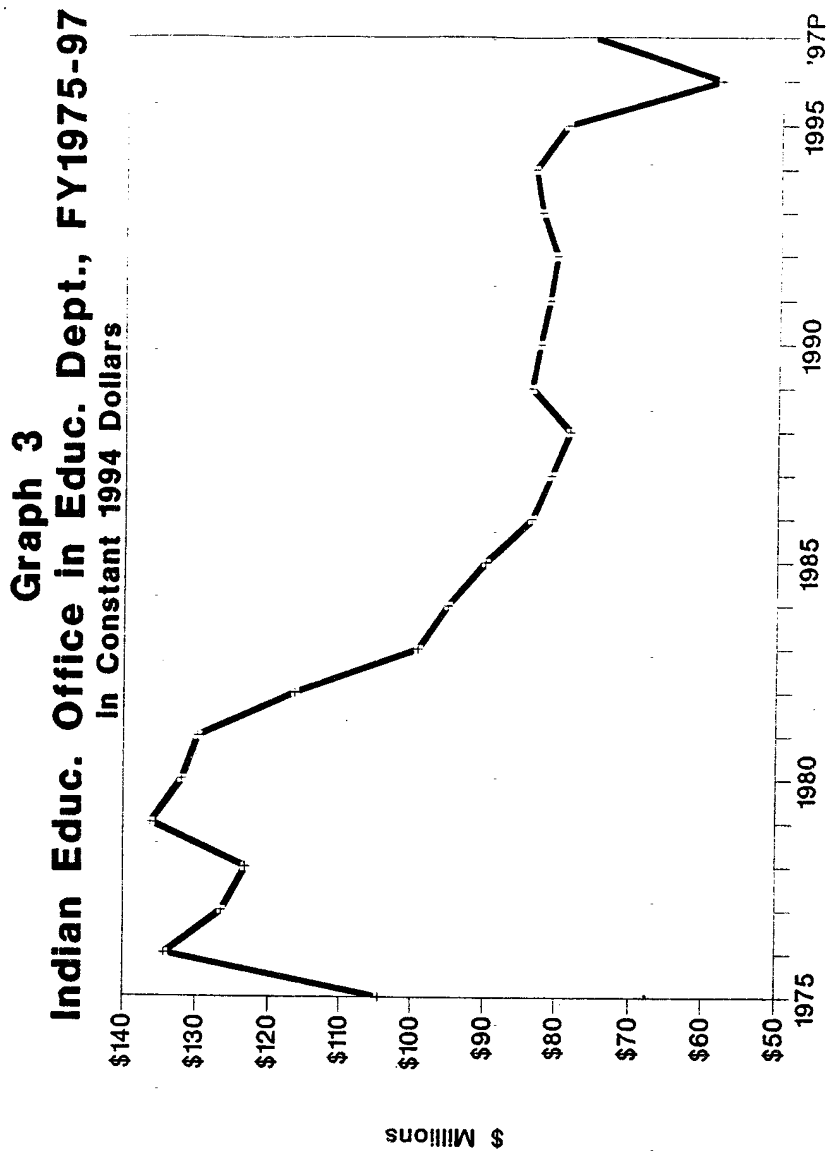
Graph 1
U.S. Education Dept. Budget, FY1975-97
In Constant 1994 Dollars



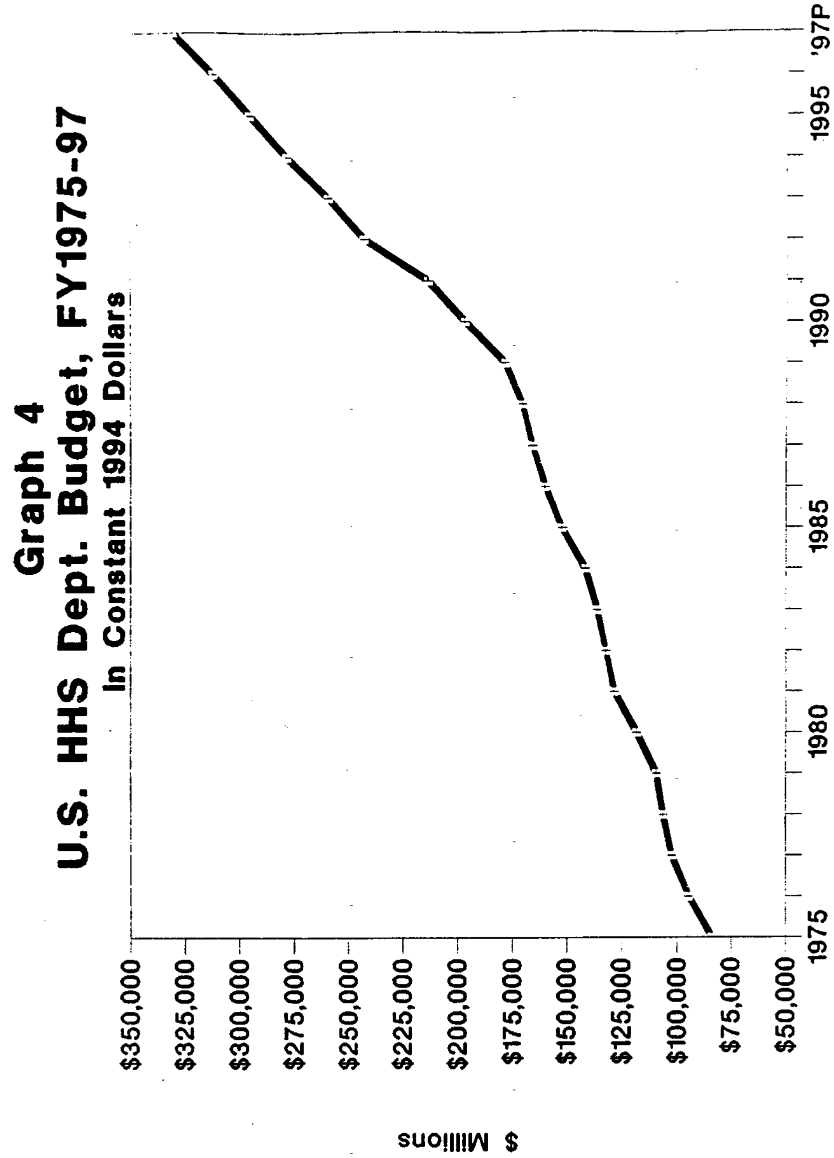
Graph 2
BIA Education Budget, FY1975-97
In Constant 1994 Dollars



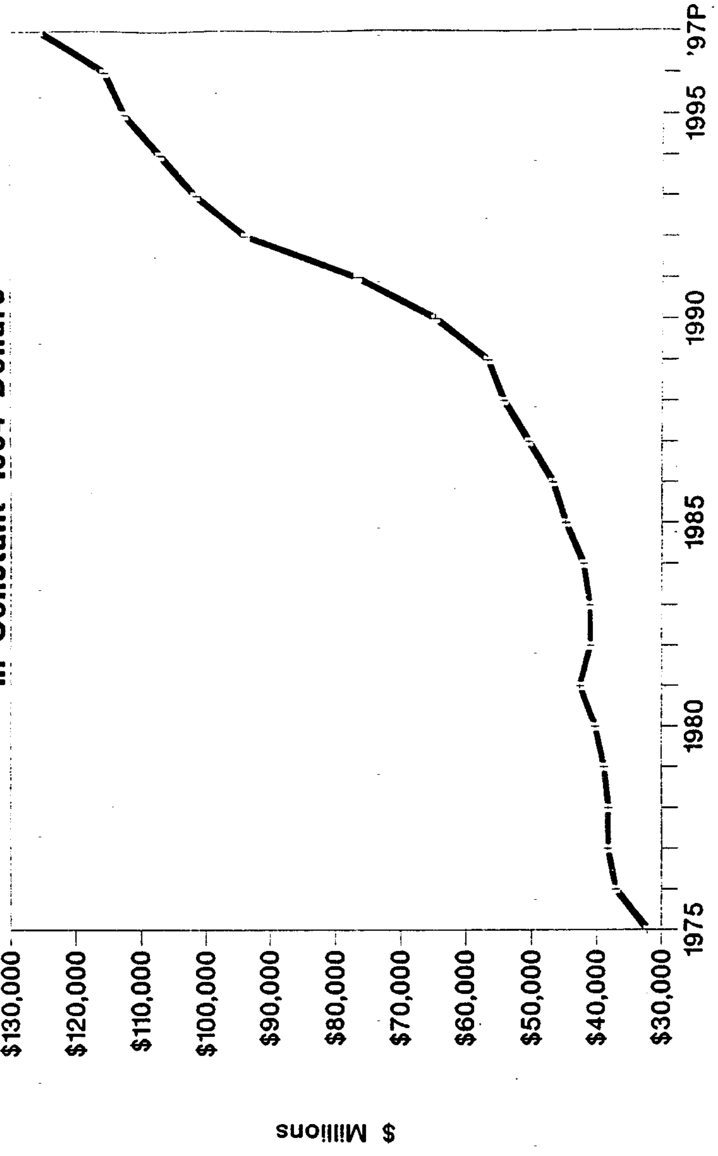
* FY1996E and FY1997P are CRS estimates.



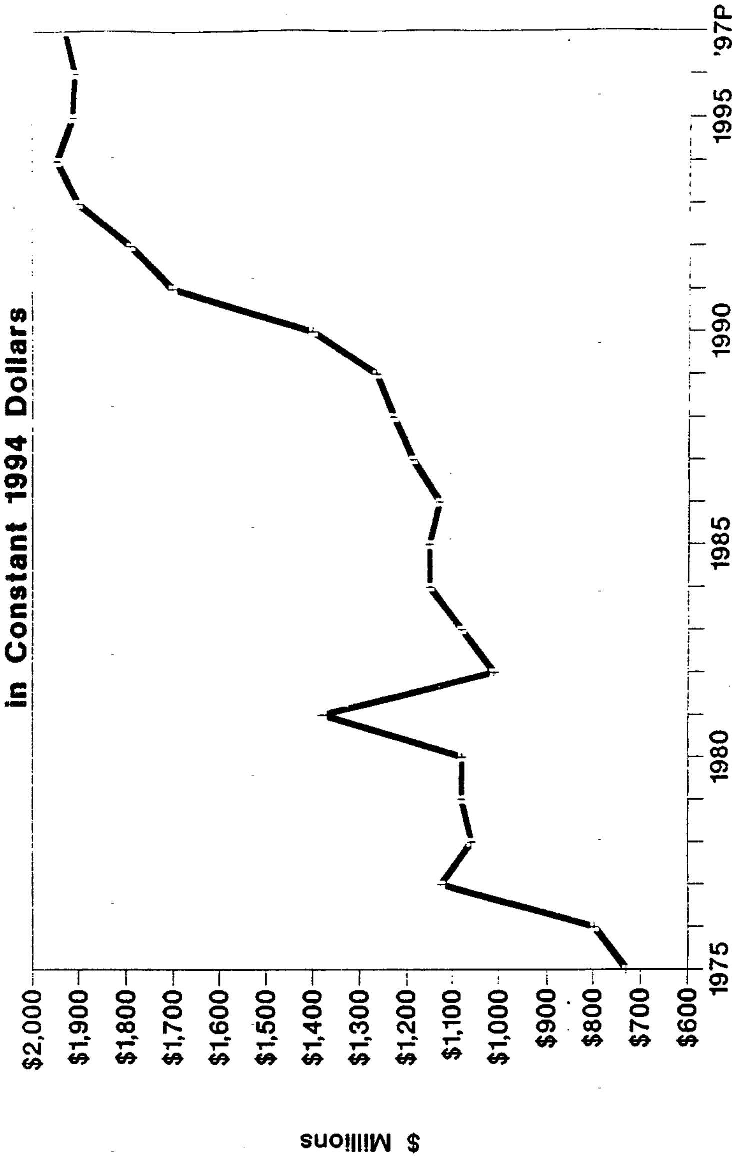
Graph 3
Indian Educ. Office in Educ. Dept., FY1975-97
In Constant 1994 Dollars


Graph 4
U.S. HHS Dept. Budget, FY1975-97
In Constant 1994 Dollars
$ Millions
$350,000
$325,000
$300,000
$275,000
$250,000
$225,000
$200,000
$175,000
$150,000
$125,000
$100,000
$75,000
$50,000
1975
1980
1985
1990
1995
'97P

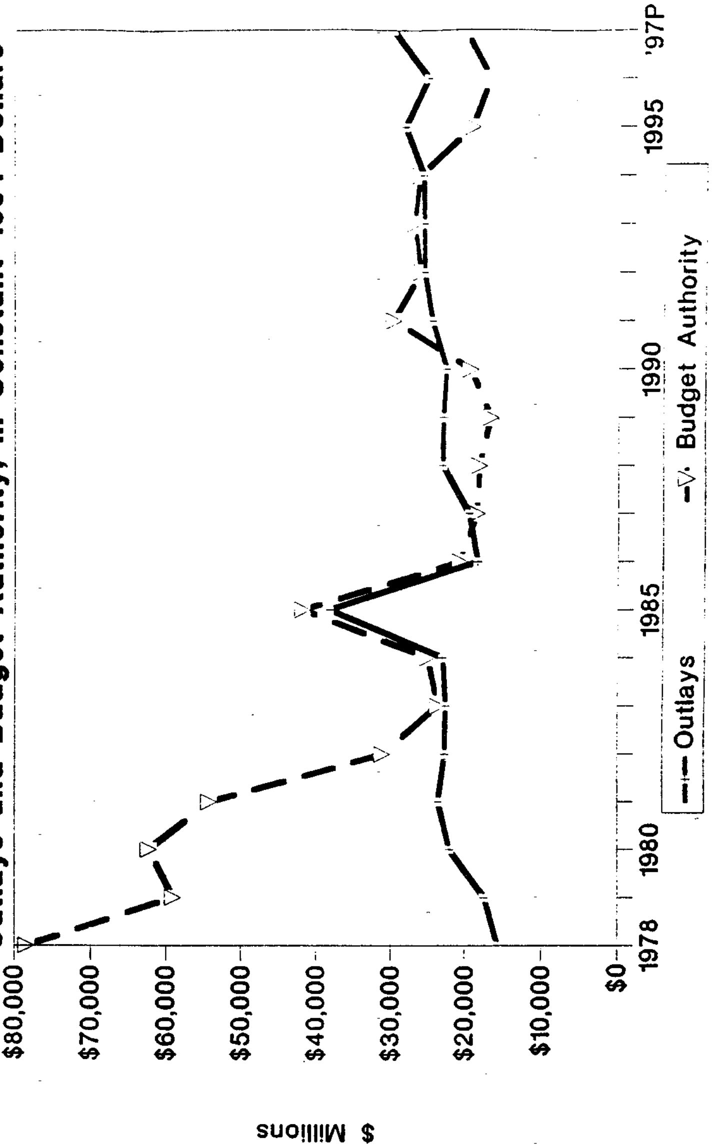
Graph 5
U.S. Health Function Spending, FY1975-97
In Constant 1994 Dollars



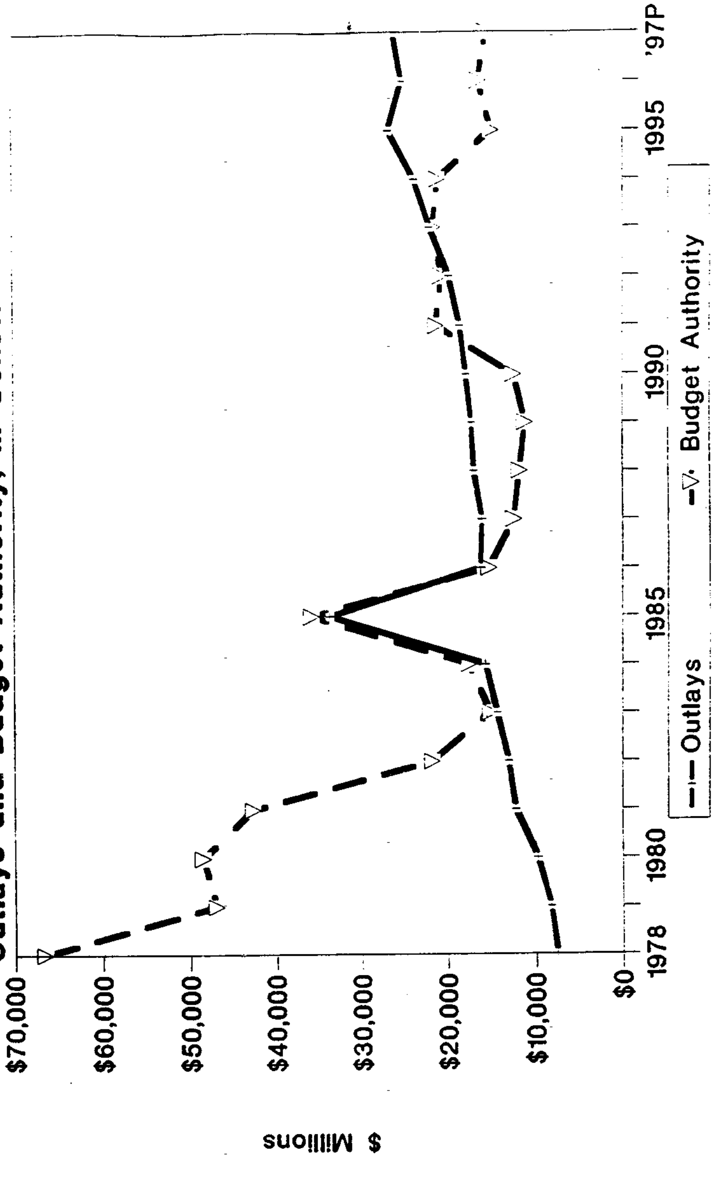
Graph 6
Indian Health Service Budget, FY1975-97
in Constant 1994 Dollars



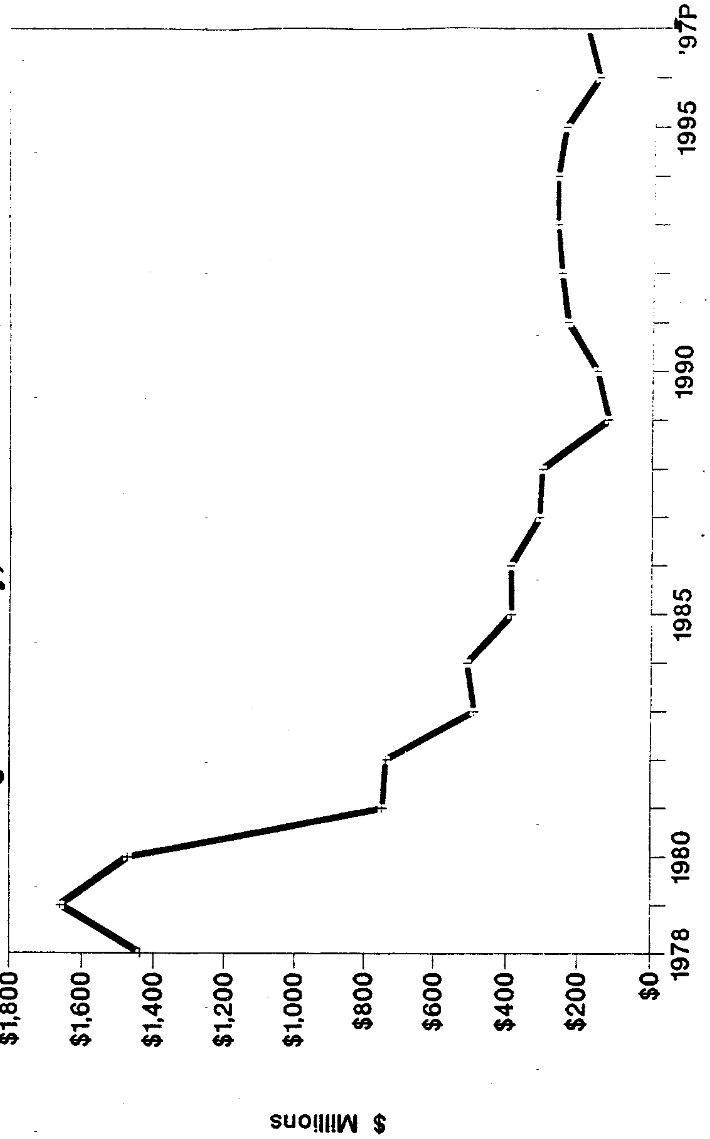
Graph 7
U.S. HUD Dept. Budget, FY1978-97:
Outlays and Budget Authority, in Constant 1994 Dollars



Graph 8
Housing Assistance Subfunction, FY78-97:
Outlays and Budget Authority, in Constant 1994 Dollars



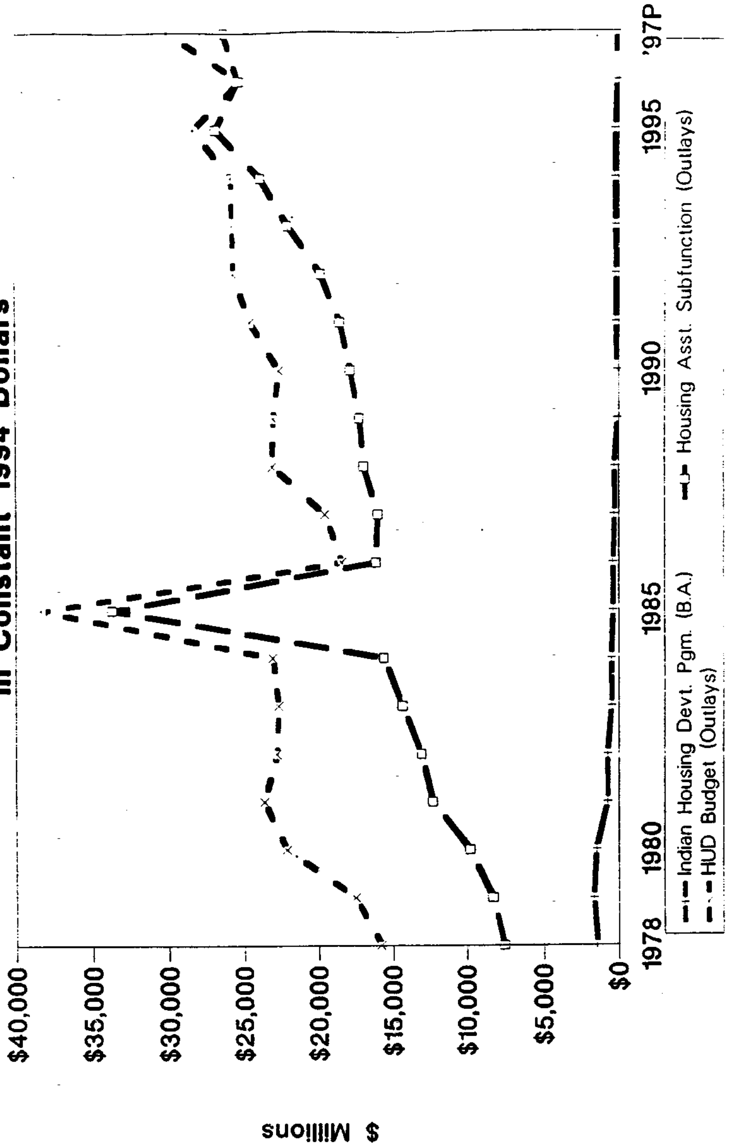
Graph 9
Indian Housing Devt. Pgm. In HUD, FY78-97:
Budget Authority, in Constant 1994 Dollars

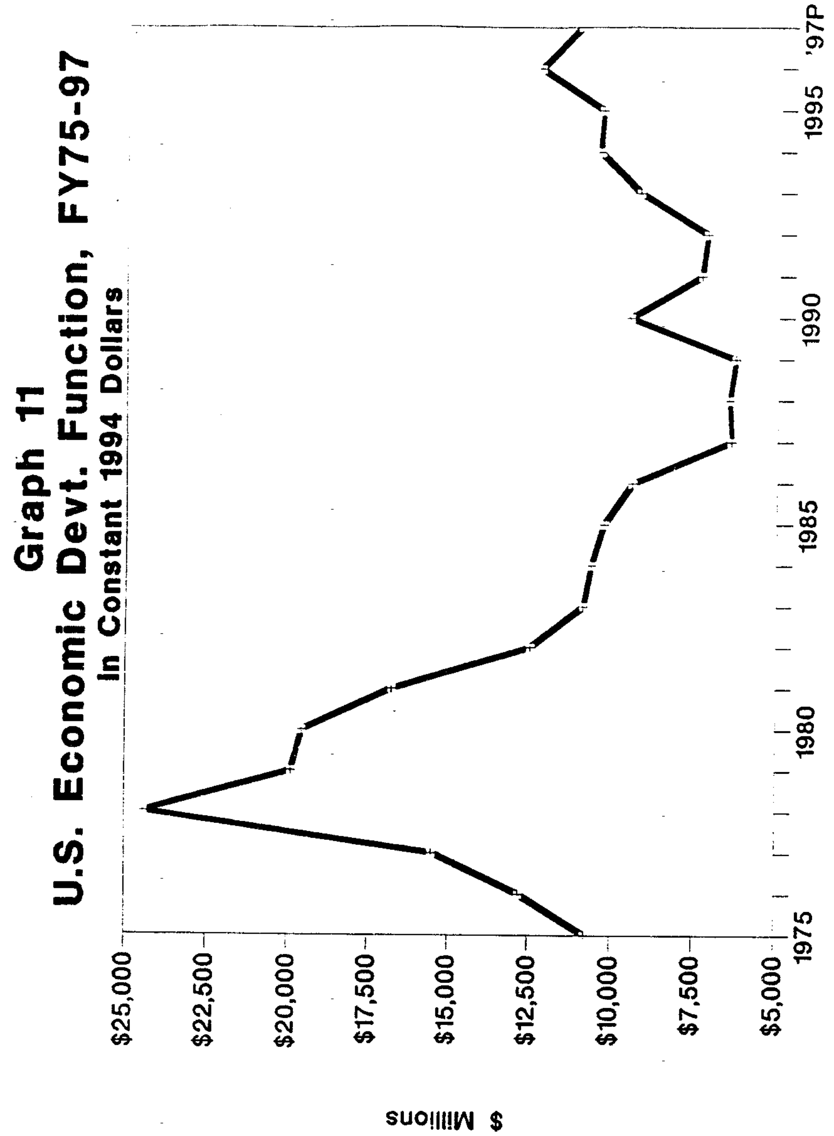


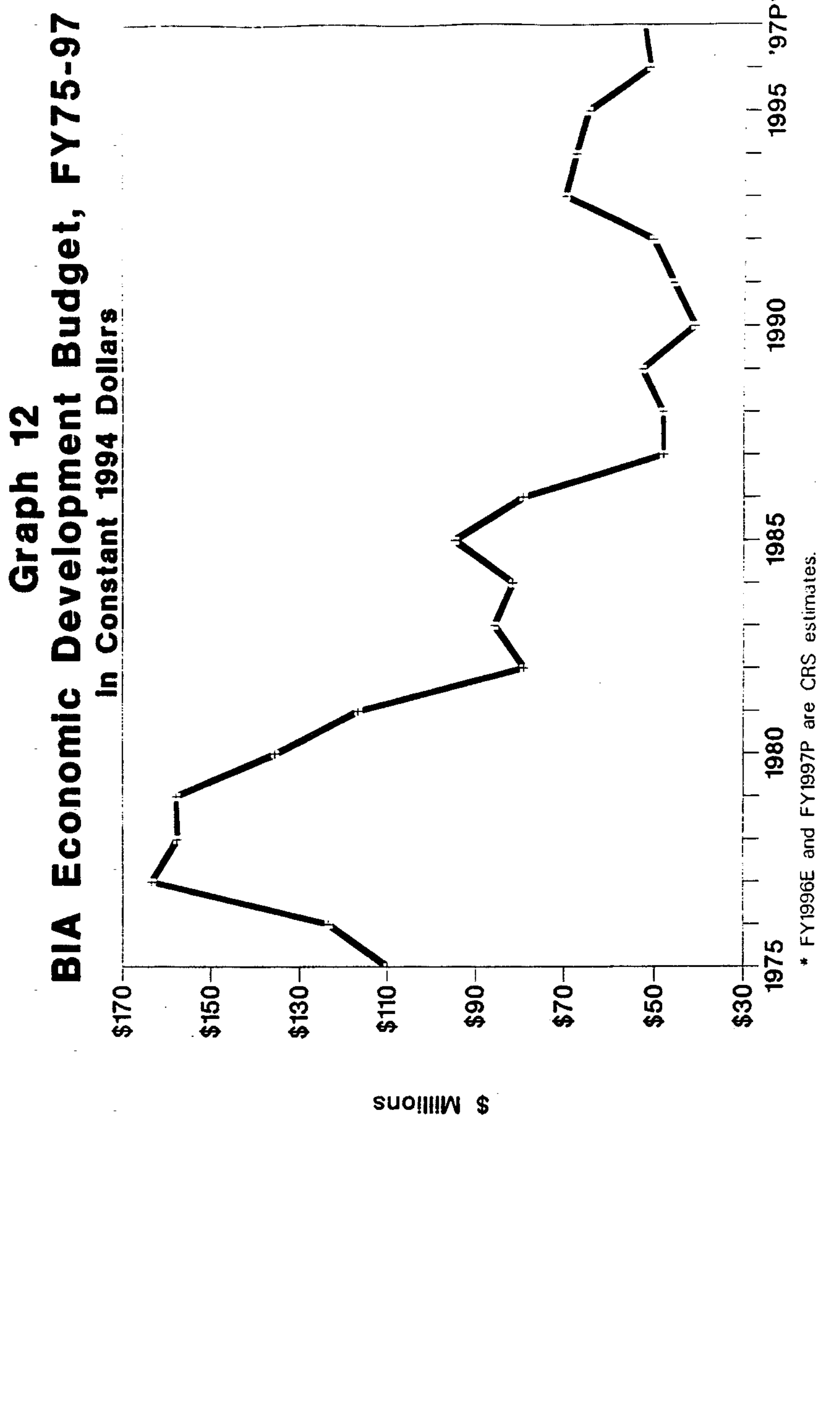
Graph 10

Indian Housing vs. HUD & Housing Asst., FY78-97

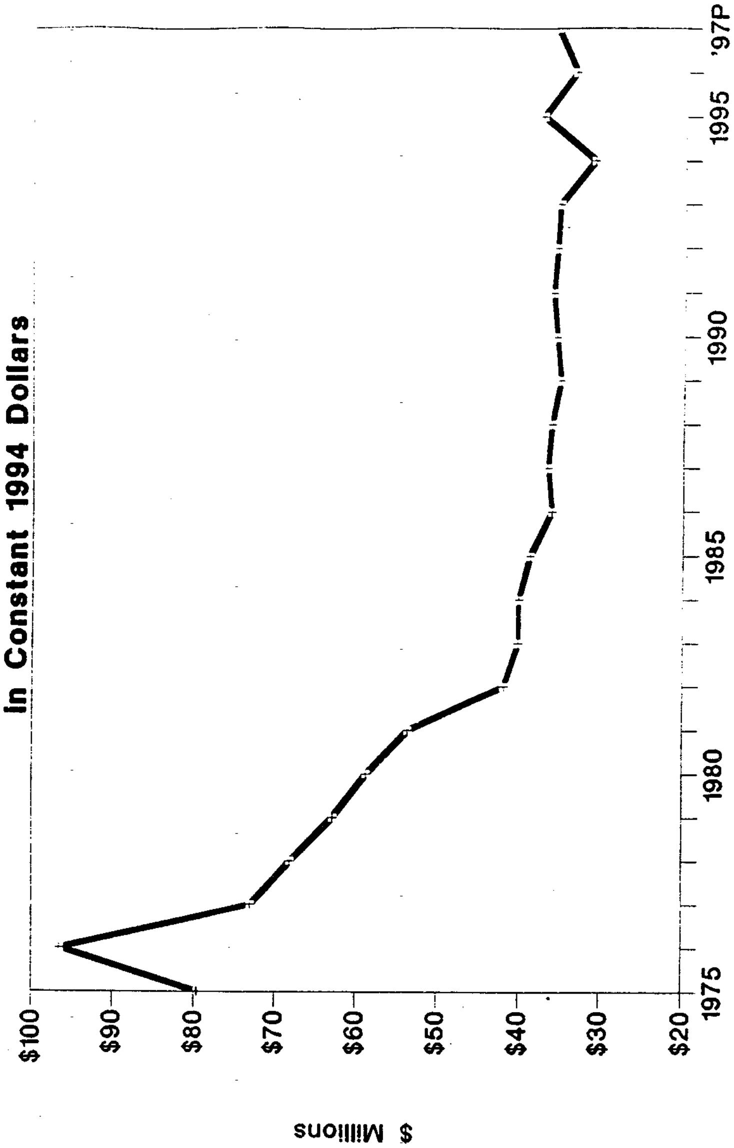
In Constant 1994 Dollars



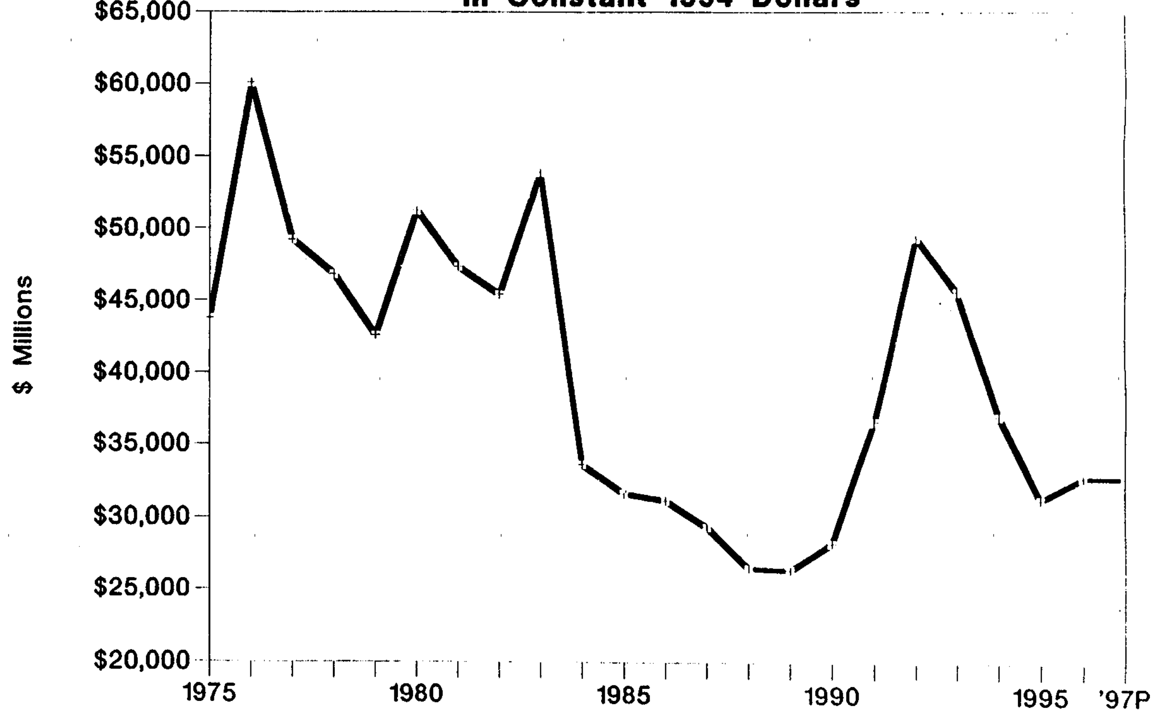

Graph 11
U.S. Economic Devt. Function, FY75-97
In Constant 1994 Dollars
$ Millions
$25,000
$22,500
$20,000
$17,500
$15,000
$12,500
$10,000
$7,500
$5,000
1975
1980
1985
1990
1995
'97P


Graph 12
BIA Economic Development Budget, FY75-97
In Constant 1994 Dollars
$ Millions
$170
$150
$130
$110
$90
$70
$50
$30
1975
1980
1985
1990
1995
'97P*
* FY1996E and FY1997P are CRS estimates.

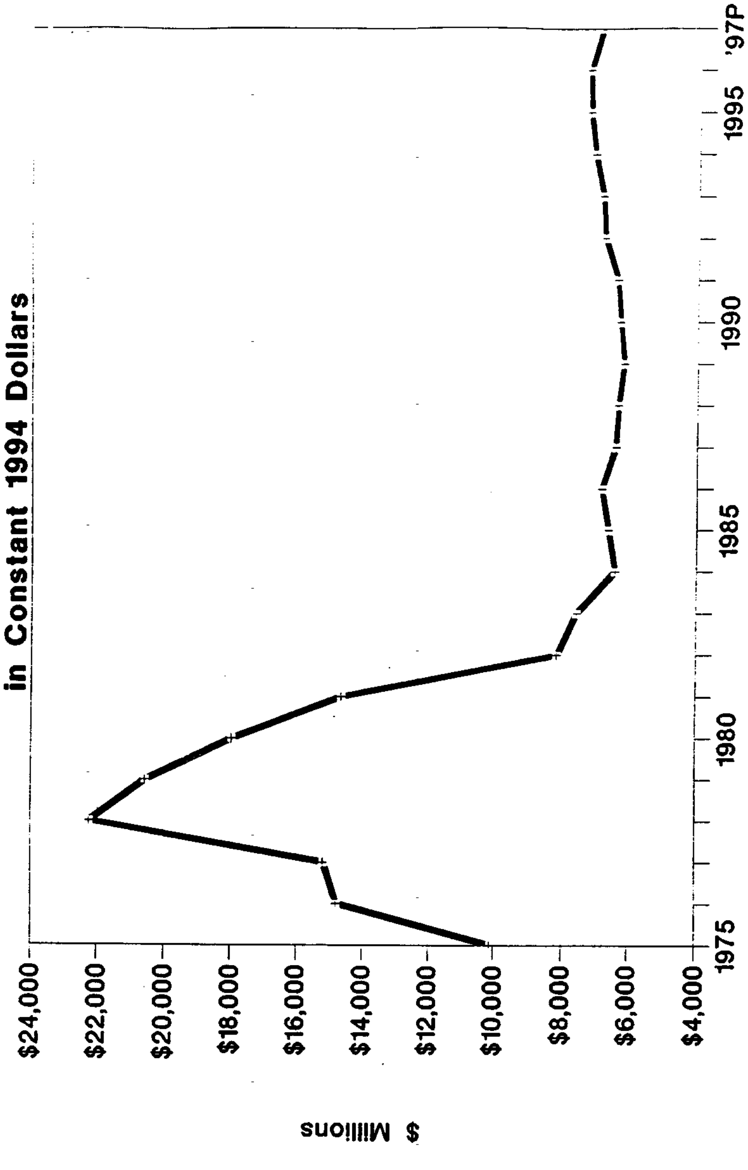
Graph 13
ANA Budget, FY1975-97
In Constant 1994 Dollars



Graph 14
U.S. Labor Dept. Budget, FY1975-97
In Constant 1994 Dollars



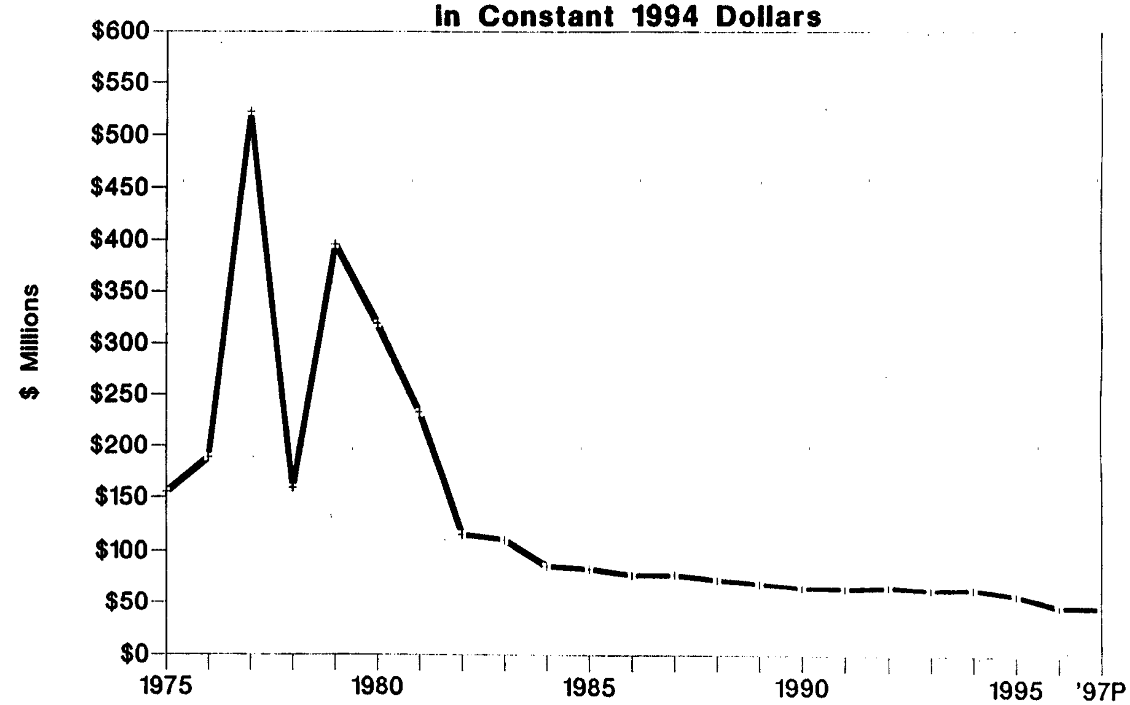
Graph 15
Employment & Training Subfunction, FY75-97
in Constant 1994 Dollars



Graph 16

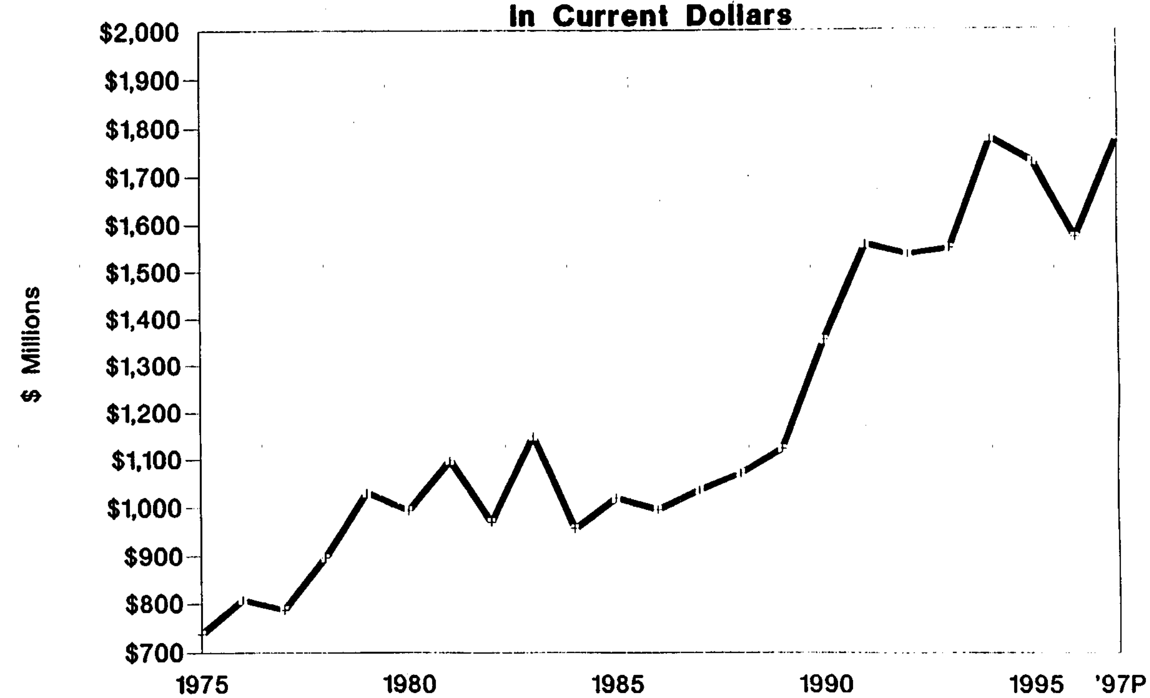
Indian Training & Employmt. Budget*, FY75-97

In Constant 1994 Dollars



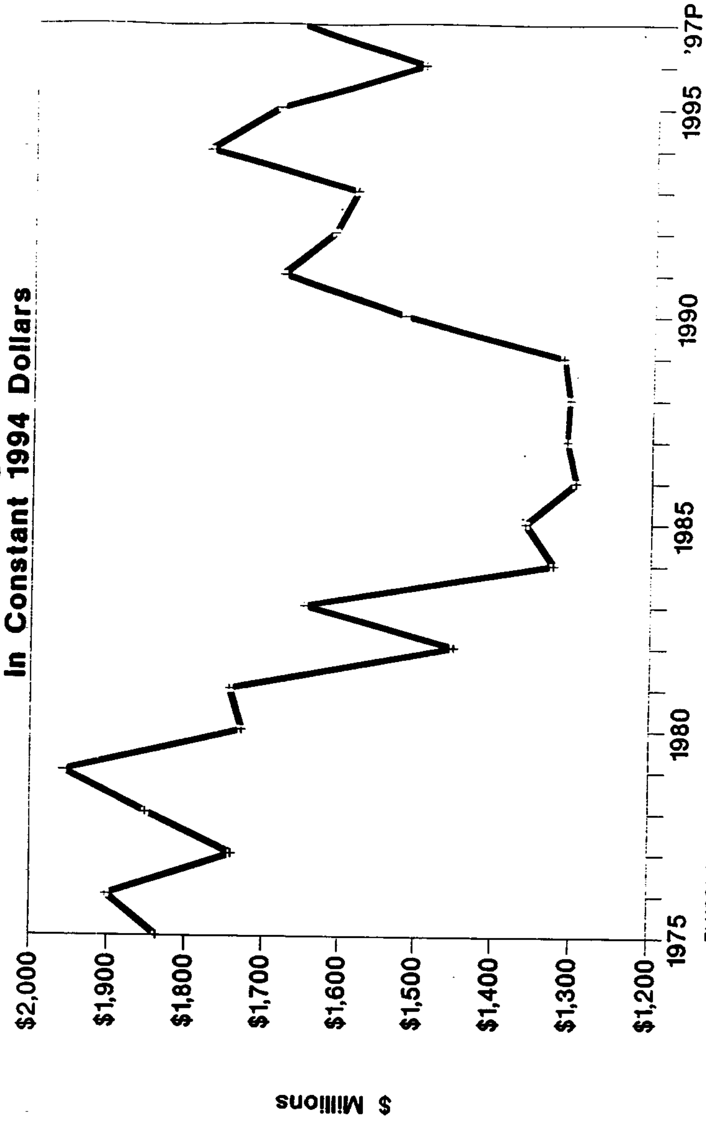
* FY75-83: CETA Indian programs. FY84-97: INAP.

Graph 17
BIA Total Budget, FY1975-97
In Current Dollars



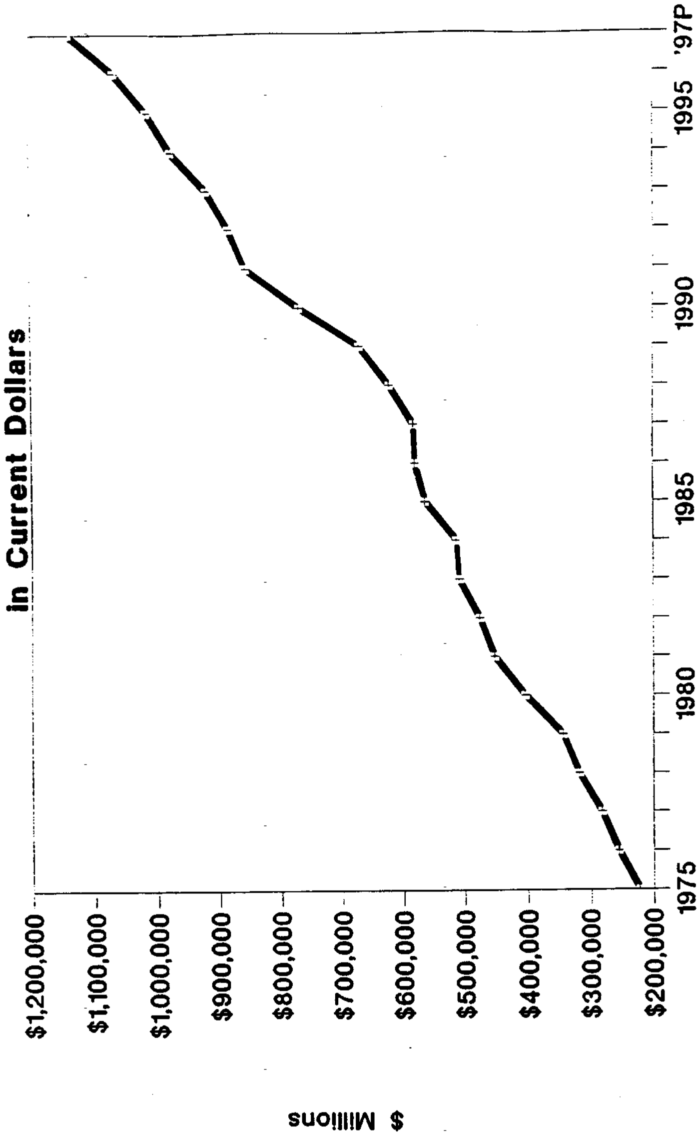
FY1991 includes Forward Funding for BIA Education ($208.9 million).

Graph 18
BIA Total Budget, FY1975-97
In Constant 1994 Dollars

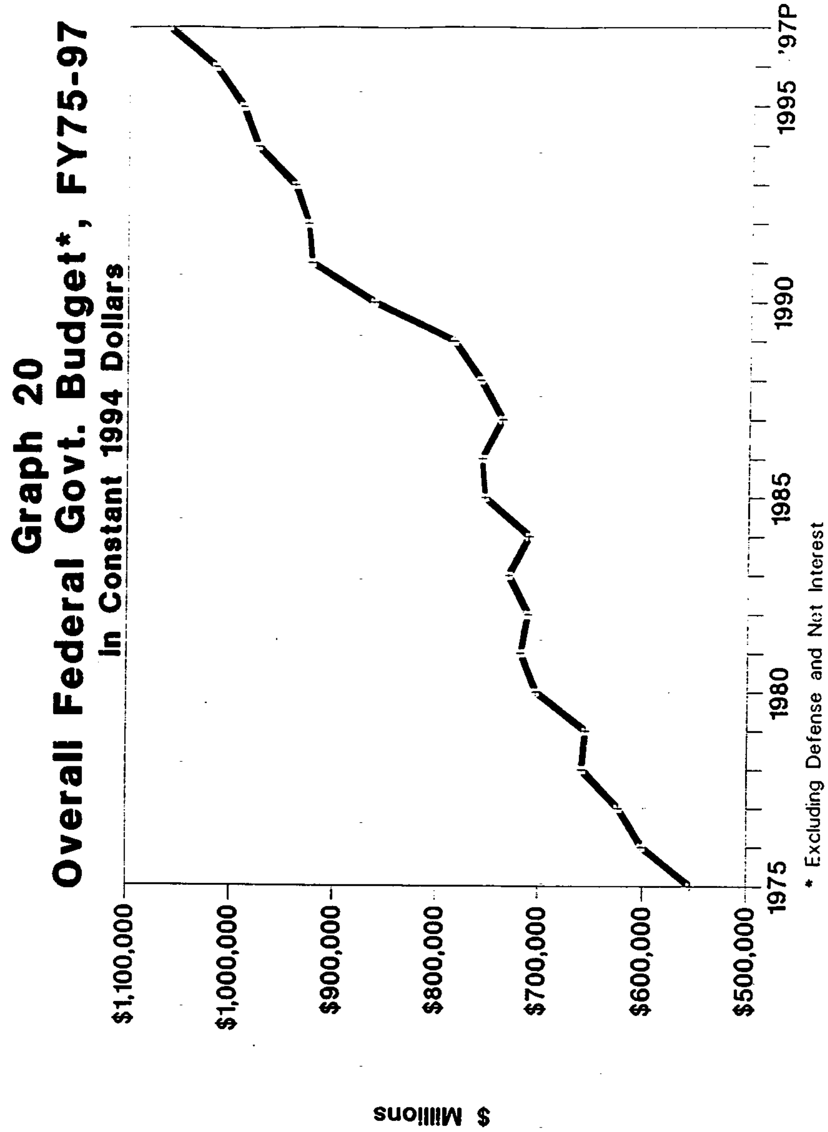


FY1991 includes Forward Funding for BIA Education

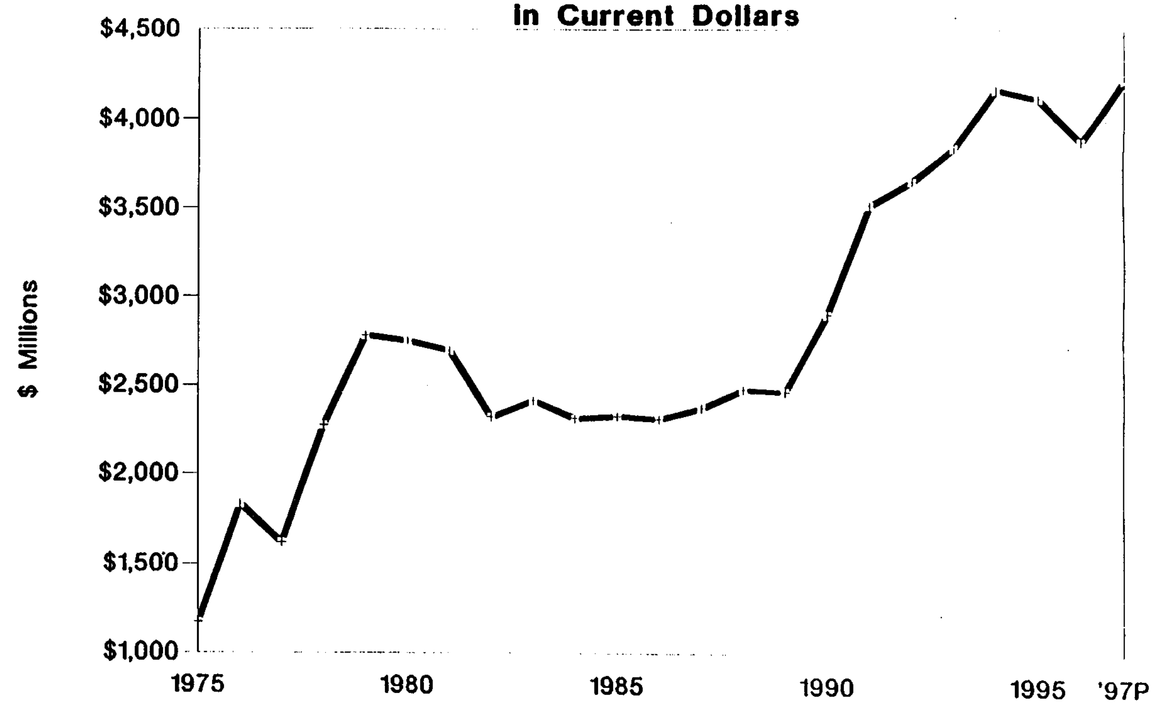
Graph 19
Overall Federal Govt. Budget*, FY75-97
in Current Dollars



* Excluding Defense and Net Interest

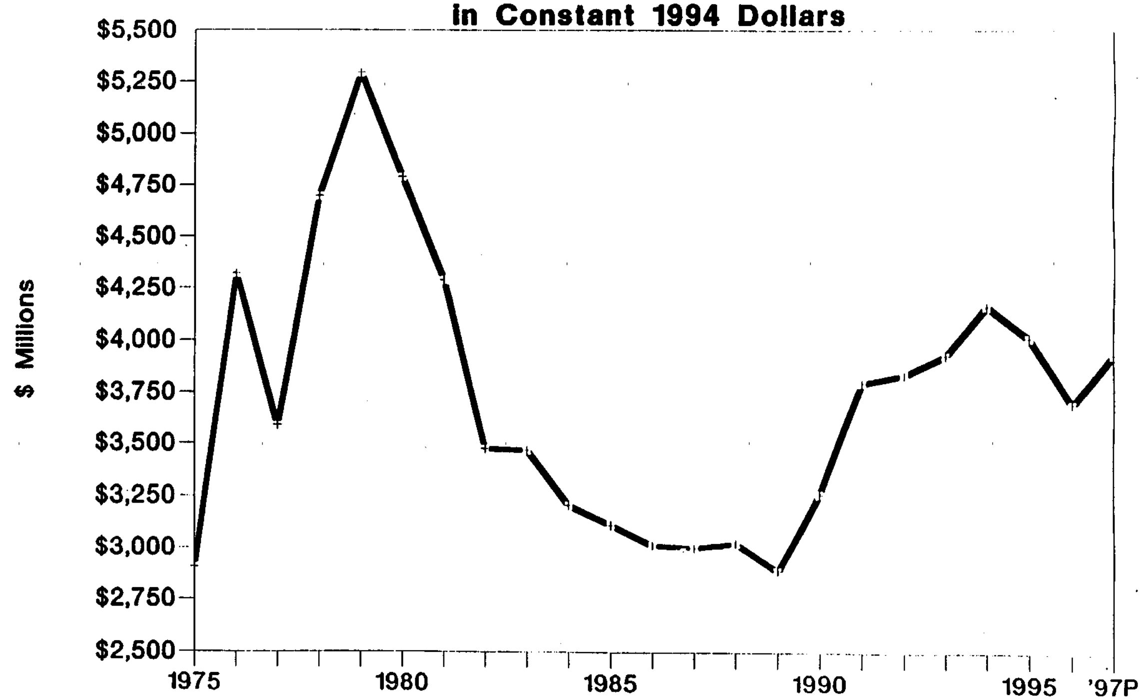

Graph 20
Overall Federal Govt. Budget*, FY75-97
In Constant 1994 Dollars
$ Millions
$1,100,000
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
1975
1980
1985
1990
1995
'97P
* Excluding Defense and Net Interest

Graph 21
Overall Indian Budget, FY1975-97
In Current Dollars



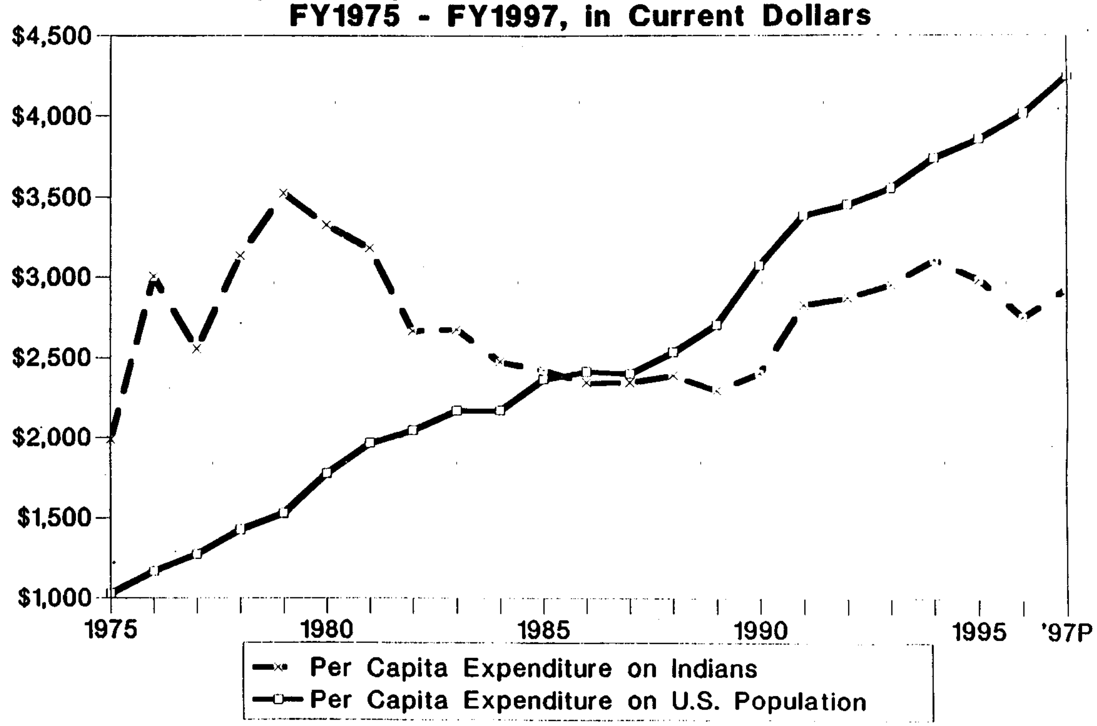
FY1991 includes Forward Funding for BIA Education ($208.9 million).

Graph 22
Overall Indian Budget, FY1975-97
in Constant 1994 Dollars



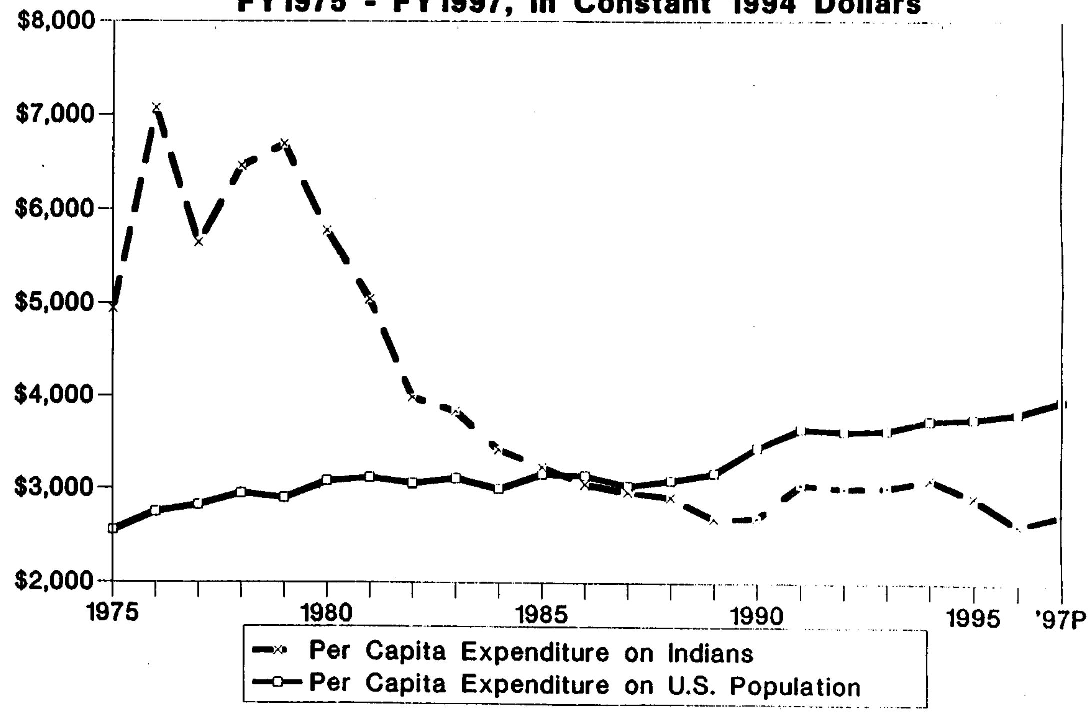
FY1991 includes Forward Funding for BIA Education

Graph 23A
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY1997, in Current Dollars



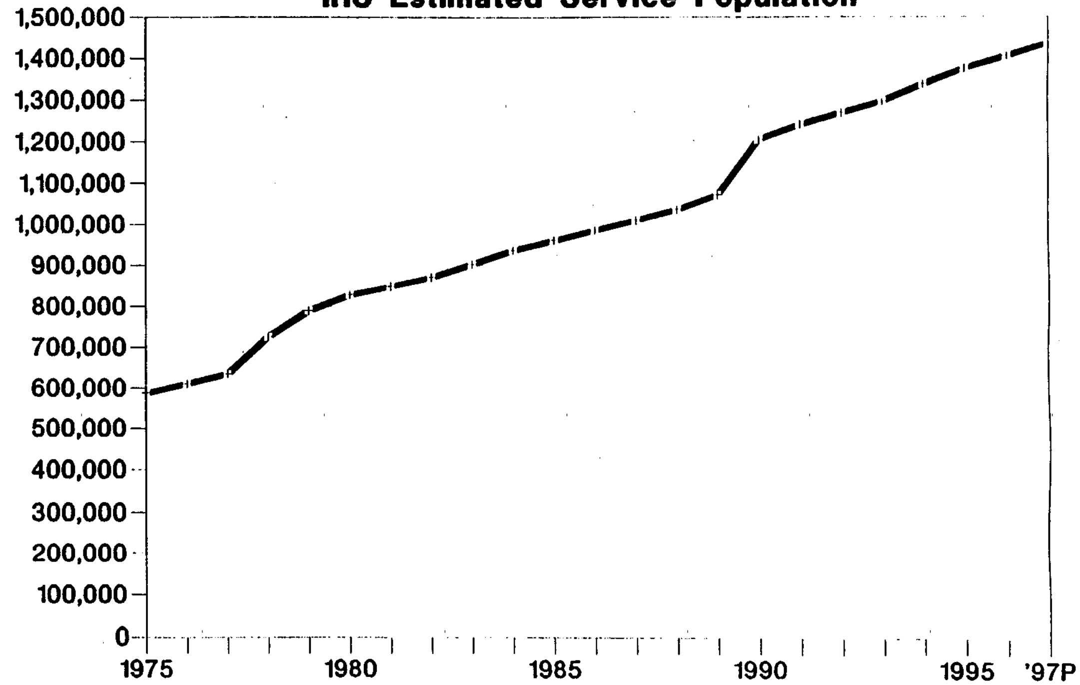
Note: FY75 & FY77 Indian per-capita expends. do not include Indian Housing Devt

Graph 23B
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY1997, In Constant 1994 Dollars



Note: FY75 & FY77 Indian per-capita expends. do not include Indian Housing Devt

Graph 23C
Indian Population, 1975-97
IHS Estimated Service Population

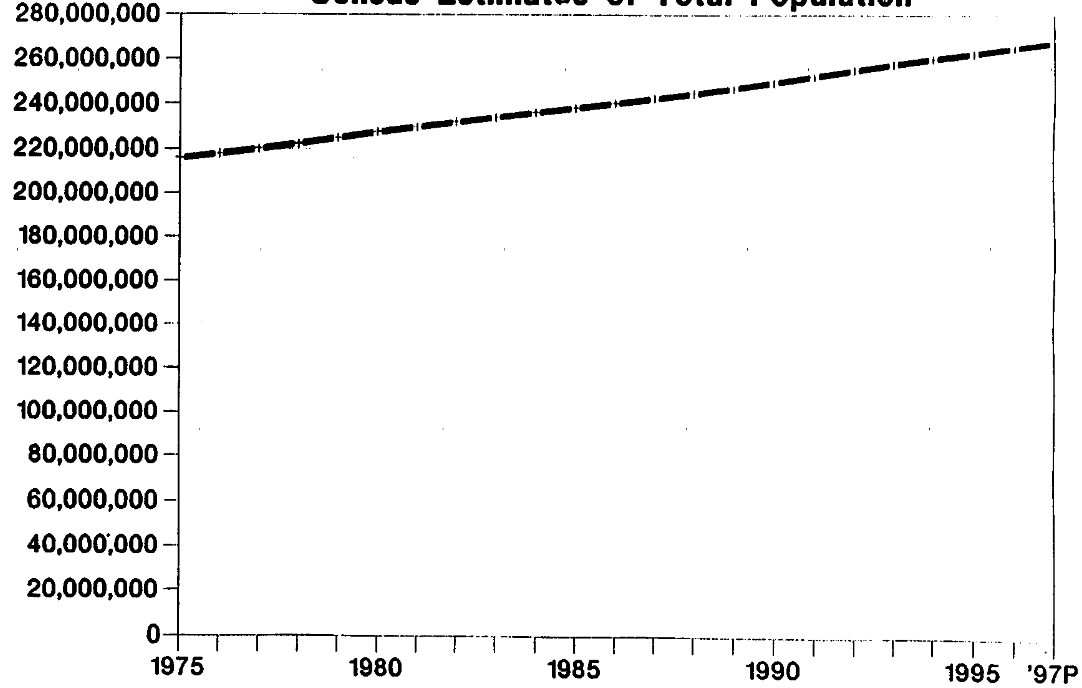


Source: Indian Health Service.

Graph 23D

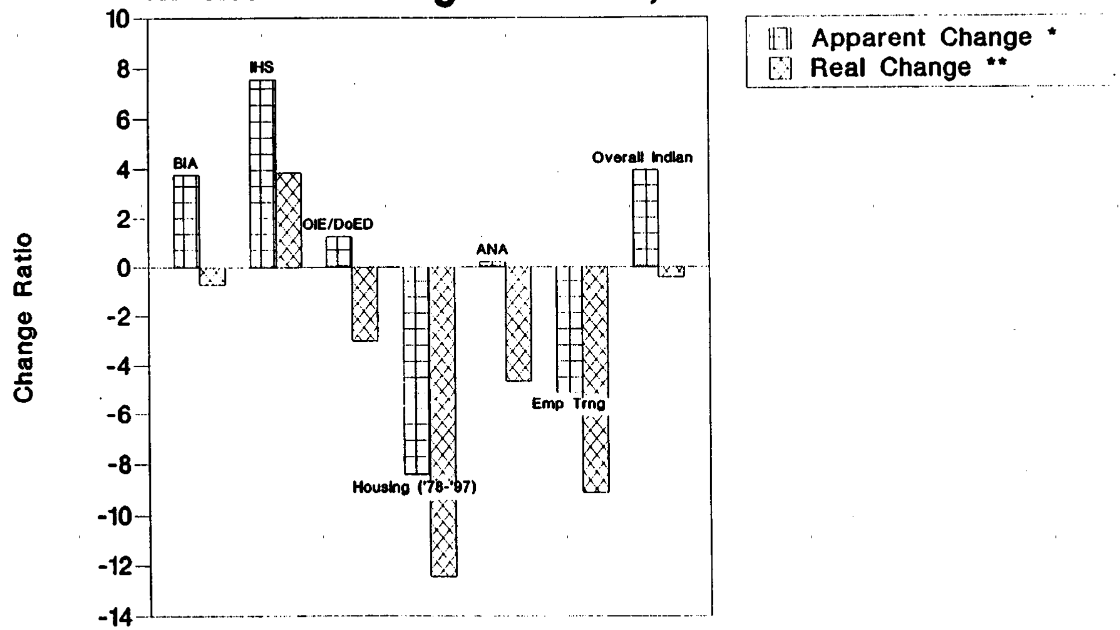
United States Population, 1975-97

Census Estimates of Total Population



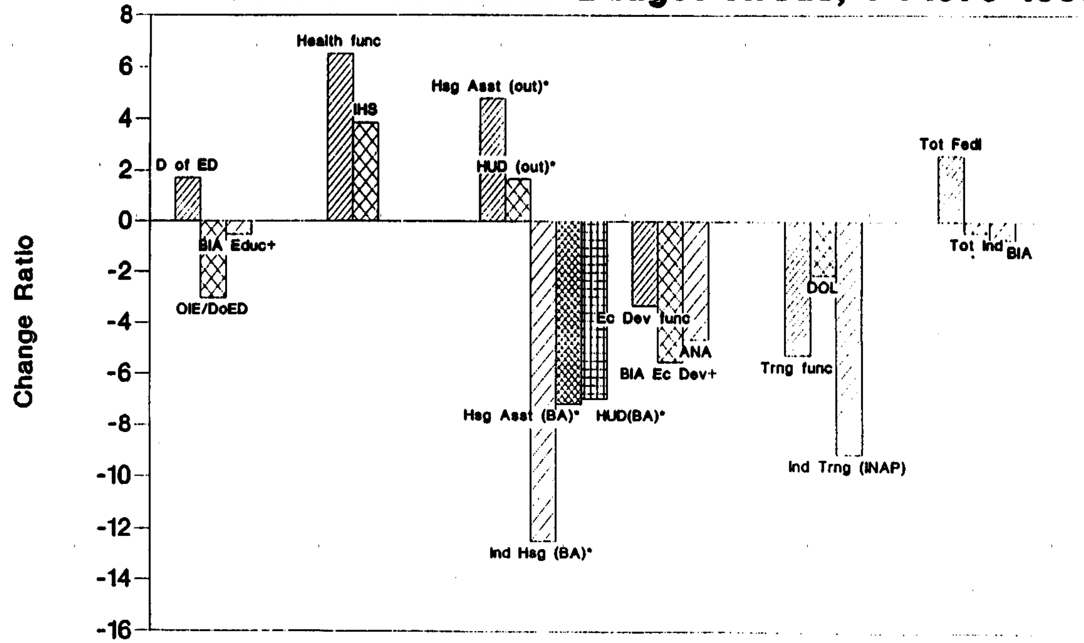
Source: Bureau of the Census.

Graph 24
Apparent Vs. Real Change Ratios In Indian Budget Areas, FY1975-1997



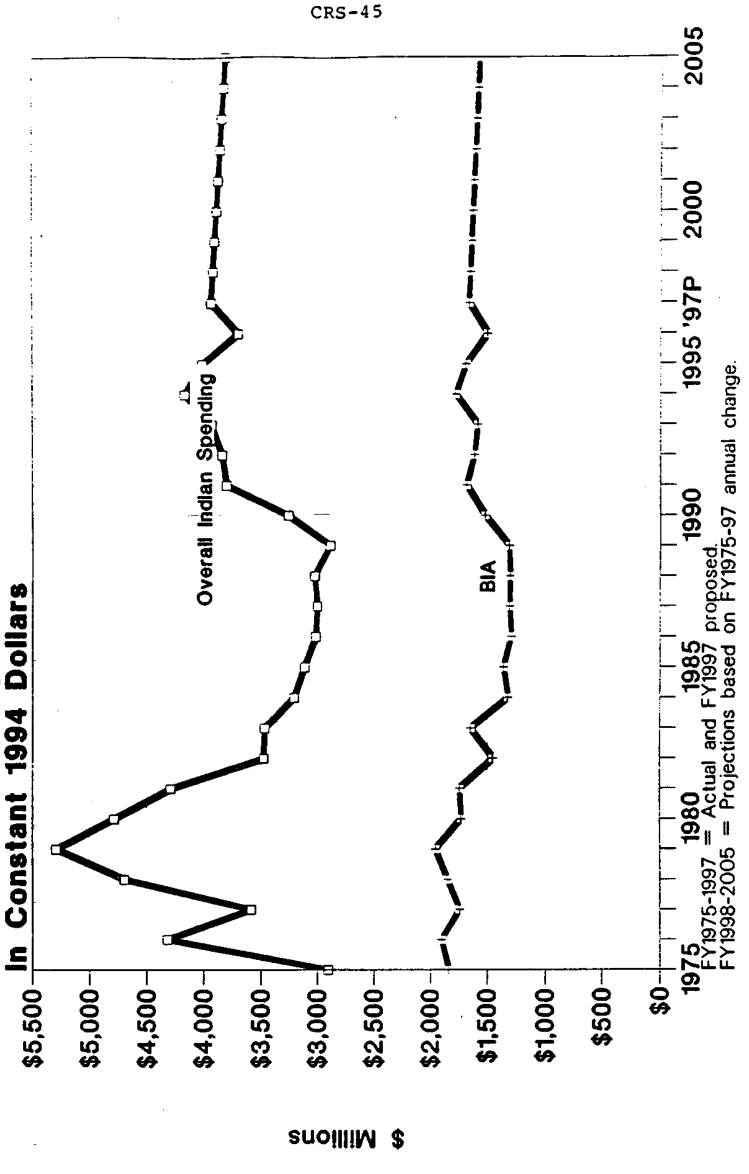
Change Ratio = Ratio of Annual Change to Average Spending (see text).
* Change Ratio based on Current Dollars
** Change Ratio based on Constant 1994 Dollars

Graph 25
Comparison of Real** Change Ratios in Federal and Indian Budget Areas, FY1975-1997



Change Ratio = Ratio of Annual Change to Average Spending (see text).
** Based on Constant 1994 Dollars.
* All housing ratios based on FY1978-1997. + BIA components: FY96-97 = ests.

Graph 26: BIA and Overall Indian Spending, Actual and Projected, FY1975-2005
In Constant 1994 Dollars



APPENDIX TABLE 1. BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CURRENT DOLLARS, FY 1975–1997

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgm. in HUD (B.A. Use for New Construction)	Admin. for Native Americans (Approps.)	Indian & Native American Employment & Training in Labor Dept. (Approps.)	Overall Indian Budget
1975	$738,236	$293,103	$42,034	NA	$32,000	$62,304	1,167,677
1976	808,095	338,926	57,055	$511,200	41,000	80,198	1,836,474
1977	787,359	509,055	57,212	NA	33,000	236,525	1,623,151
1978	897,840	513,267	59,732	696,900	33,000	77,160	2,277,799
1979	1,031,195	569,153	71,735	874,300	33,100	208,684	2,788,167
1980	994,227	620,871	75,900	847,900	33,800	183,835	2,756,533
1981	1,098,447	869,762	81,680	471,500	33,800	146,817	2,702,006
1982	970,360	676,157	77,852	494,300	28,000	77,436	2,324,105
1983	1,149,902	752,916	69,185	340,600	28,000	77,355	2,417,958
1984	957,593	832,407	68,780	368,100	29,000	62,243	2,318,123
1985	1,019,411	862,203	67,404	290,200	29,000	62,243	2,330,461
1986	995,693	867,177	64,187	299,500	27,742	59,567	2,313,866
1987	1,036,253	940,750	64,036	245,000	28,989	61,484	2,376,512
1988	1,071,406	1,008,818	64,234	247,800	29,679	59,713	2,481,650
1989	1,122,966	1,081,993	71,553	102,699	29,975	58,996	2,468,182
1990	1,355,720	1,250,133	73,620	136,099	31,709	58,193	2,905,474
1991	1,588,541	1,577,549	75,364	216,083	33,375	59,624	3,520,536
1992	1,536,954	1,705,954	76,570	239,797	33,920	63,000	3,656,195
1993	1,548,709	1,858,630	80,583	257,610	34,502	61,871	3,841,905
1994	1,778,653	1,947,175	83,500	263,000	30,984	63,895	4,167,207
1995	1,729,398	1,960,074	81,041	248,006	38,382	59,787	4,116,688
1996E	1,571,412	1,999,800	61,000	160,000	35,000	50,000	3,877,212
1997P	1,782,490	2,066,155	81,500	200,000	38,382	50,000	4,218,527

Fiscal year	BIA Education Program [1] (Approps.)	BIA Tribal Services Program [1,2] (Approps.)	BIA Economic Devt. Program [1,3] (Approps.)	BIA Natural Resources Program [1] (Approps.)	U.S. Dept. of Education (Outlays)	U.S. Dept. of HHS (except Soc. Sec. Admin.) (Outlays)	U.S. Dept. of HUD (Outlays)	U.S. Dept. of HUD (BA)
1975	$226,495	$98,703	$44,223	$31,337	$7,557,000	$33,751,000	$7,512,000	NA
1976	243,590	137,616	42,441	36,012	8,049,000	40,261,000	7,026,000	29,200,000
1977	236,700	159,118	73,966	45,536	8,887,000	46,493,000	5,808,000	33,818,000

1978	258,203	189,086	76,422	76,967	10,037,000	51,752,000	7,650,000	37,994,000
1979	262,242	205,198	83,162	75,338	12,423,000	57,820,000	9,220,000	31,142,000
1980	270,033	210,128	77,971	74,237	14,770,000	68,255,000	12,735,000	35,852,000
1981	270,183	227,249	73,365	85,711	17,053,000	80,821,000	14,880,000	34,220,000
1982	265,606	235,315	52,884	84,743	14,808,000	88,408,000	15,232,000	20,911,000
1983	298,143	277,865	59,821	119,241	14,558,000	95,008,000	15,814,000	16,561,000
1984	255,754	254,355	59,009	99,657	15,511,000	102,375,000	16,663,000	18,148,000
1985	269,644	241,807	71,002	124,101	16,682,000	114,271,000	28,720,000	31,398,000
1986	257,299	254,152	60,810	135,179	17,673,000	122,943,000	14,139,000	15,928,000
1987	277,783	275,367	38,025	144,428	16,800,000	131,414,000	15,484,000	14,657,000
1988	238,434	340,025	39,543	146,010	18,246,000	140,039,000	18,938,000	14,949,000
1989	268,503	315,973	45,299	181,696	21,608,000	152,699,000	19,680,000	14,347,000
1990	287,384	322,629	36,496	125,719	23,109,000	175,531,000	20,167,000	17,315,000
1991	544,545	364,060	42,408	139,694	25,339,000	198,110,000	22,751,00	27,634,000
1992	416,859	432,045	48,072	139,932	26,047,000	231,560,000	24,470,000	24,966,000
1993	454,694	454,705	68,440	137,662	30,290,000	253,835,000	25,181,000	26,468,000
1994	498,675	527,999	67,614	148,338	24,699,000	278,901,000	25,845,000	26,322,000
1995	510,968	538,285	66,622	150,321	31,322,000	303,081,000	29,044,000	19,800,000
1996	510,241	493,324	53,850	136,640	30,404,000	327,429,000	26,432,000	17,874,000
1997P	552,468	602,766	56,586	146,944	26,639,000	354,274,000	32,175,000	21,910,000

Fiscal year	U.S. Dept of Interior (Outlays)	U.S. Dept of Labor (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Housing Assistance Subfunction (Outlays)	Housing Assistance Subfunction (B.A.)	Economic Development Function (Outlays)	Training & Employment Subfunction (Outlays)
1975	$2,221,000	$17,610,000	$16,022,000	$12,930,000	$2,058,000	N/A	$4,322,000	$4,063,000
1976	2,433,000	25,526,000	18,910,000	15,734,000	2,499,000	$19,421,000	5,442,000	6,288,000
1977	3,213,000	22,269,000	21,104,000	17,302,000	2,968,000	28,629,000	7,021,000	6,877,000
1978	3,874,000	22,712,000	26,710,000	18,524,000	3,677,000	32,300,000	11,841,000	10,784,000
1979	4,168,000	22,459,000	30,223,000	20,494,000	4,367,000	24,780,000	10,480,000	10,833,000
1980	4,472,000	29,510,000	31,843,000	23,169,000	5,632,000	27,932,000	11,252,000	10,345,000
1981	4,456,000	29,821,000	33,709,000	26,866,000	7,752,000	26,927,000	10,568,000	9,241,000
1982	3,944,000	30,387,000	27,029,000	27,445,000	8,738,000	14,608,000	8,347,000	5,464,000
1983	4,547,000	37,604,000	26,606,000	28,641,000	9,998,000	10,498,000	7,560,000	5,295,000
1984	4,943,000	24,292,000	27,579,000	30,417,000	11,270,000	12,671,000	7,673,000	4,644,000
1985	4,820,000	23,699,000	29,342,000	33,542,000	25,263,000	26,879,000	7,680,000	4,972,000
1986	4,785,000	23,941,000	30,585,000	35,936,000	12,383,000	11,643,000	7,233,000	5,257,000
1987	5,046,000	23,253,000	29,724,000	39,967,000	12,656,000	9,864,000	5,051,000	5,084,000
1988	5,143,000	21,743,000	31,938,000	44,487,000	13,906,000	9,698,000	5,294,000	5,215,000
1989	5,207,000	22,549,000	36,674,000	48,390,000	14,715,000	9,568,000	5,362,000	5,292,000

Fiscal year	U.S. Dept of Interior (Outlays)	U.S. Dept of Labor (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Housing Assistance Subfunction (Outlays)	Housing Assistance Subfunction (B.A.)	Economic Development Function (Outlays)	Training & Employment Subfunction (Outlays)
1990	5,790,000	25,215,000	38,755,000	57,716,000	15,891,000	11,135,000	8,498,000	5,619,000
1991	6,088,000	33,954,000	43,354,000	71,183,000	17,175,000	19,721,000	6,811,000	5,934,000
1992	6,539,000	47,078,000	45,248,000	89,497,000	18,904,000	19,736,000	6,838,000	6,479,000
1993	6,784,000	44,651,000	50,012,000	99,415,000	21,542,000	21,170,000	9,052,000	6,700,000
1994	6,900,000	37,047,000	46,307,000	107,122,000	23,884,000	21,110,000	10,454,000	7,097,000
1995	7,405,000	32,090,000	54,263,000	115,418,000	27,524,000	15,325,000	10,641,000	7,430,000
1996E	6,939,000	34,404,000	54,131,000	121,211,000	26,573,000	17,214,000	12,878,000	7,617,000
1997P	6,931,000	35,154,000	53,510,000	134,572,000	28,200,000	16,680,000	11,837,000	7,392,000

Fiscal year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget [4] (Outlays)	U.S. Total Population	Indian Population (IHS data)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure	Chain-Type Price Index for Gross Domestic Product (1992=100)	Chain-Type Price Index for Gross Domestic Product (1994=100)
1975	$7,346,000	$222,579,000	215,973,000	587,468	$1,031	$1,988	42.2	40.2
1976	8,184,000	255,446,000	218,035,000	611,296	1,172	3,004	44.6	42.5
1977	10,032,000	282,076,000	220,239,000	635,313	1,281	2,555	47.5	45.2
1978	10,983,000	318,793,000	222,585,000	726,551	1,432	3,135	50.9	48.5
1979	12,135,000	344,507,000	225,055,000	790,486	1,531	3,527	55.3	52.7
1980	13,858,000	404,414,000	227,726,000	828,609	1,776	3,327	60.4	57.5
1981	13,568,000	451,962,000	229,966,000	849,315	1,965	3,181	66.1	63.0
1982	12,998,000	475,402,000	232,188,000	871,167	2,047	2,668	70.2	66.9
1983	12,672,000	508,649,000	234,307,000	902,701	2,171	2,679	73.2	69.7
1984	12,593,000	513,310,000	236,348,000	936,942	2,172	2,474	75.9	72.3
1985	13,357,000	564,139,000	238,466,000	961,881	2,366	2,423	78.6	74.9
1986	13,639,000	580,914,000	240,651,000	986,551	2,414	2,345	80.6	76.8
1987	13,363,000	583,260,000	242,804,000	1,011,837	2,402	2,349	83.1	79.1
1988	14,606,000	621,941,000	245,021,000	1,038,121	2,538	2,391	86.1	82.0
1989	16,182,000	670,347,000	247,342,000	1,072,886	2,710	2,298	89.7	85.4
1990	17,080,000	769,153,000	249,911,000	1,207,236	3,078	2,407	93.6	89.1
1991	18,559,000	855,960,000	252,643,000	1,243,073	3,388	2,832	97.3	92.7
1992	20,025,000	883,085,000	255,407,000	1,270,666	3,458	2,877	100.0	95.2
1993	20,239,000	918,778,000	258,120,000	1,298,632	3,559	2,958	102.6	97.7
1994	21,064,000	976,242,000	260,651,000	1,339,678	3,745	3,111	105.0	100.0
1995	22,105,000	1,014,894,000	262,820,000	1,376,415	3,862	2,991	107.6	102.5
1996E	21,550,000	1,065,796,000	265,253,000	1,405,971	4,018	2,758	110.1	104.8

1997P	21,560,000	1,138,114,000	267,645,000	1,435,947	4,252	2,938	112.5	107.1

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS IF THE FEDERAL BUDGET, IN CONSTANT 1994 DOLLARS, FY 1975–1997

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgm. in HUD (B.A. Use for New Construction)	Admin. for Native Americans (Approps.)	Indian & Native American Employment & Training in Labor Dept. (Approps.)	Overall Indian Budget
1975	$1,836,843	$729,285	$104,587	NA	$79,621	$155,022	$2,905,357
1976	1,902,466	797,920	134,322	1,203,498	96,525	188,807	4,323,537
1977	1,740,478	1,125,279	126,469	NA	72,947	522,845	3,588,018
1978	1,851,919	1,058,802	123,219	1,437,613	68,075	159,171	4,698,800
1979	1,957,965	1,080,670	136,206	1,660,063	62,848	396,235	5,293,988
1980	1,728,375	1,079,329	131,945	1,473,998	58,758	319,581	4,791,986
1981	1,744,886	1,381,619	129,749	748,979	53,691	233,219	4,292,143
1982	1,451,393	1,011,346	116,445	739,338	41,880	115,823	3,476,225
1983	1,649,450	1,080,002	99,241	488,566	40,164	110,960	3,468,382
1984	1,324,733	1,151,551	95,150	509,229	40,119	86,107	3,206,890
1985	1,361,809	1,151,798	90,044	387,672	38,740	83,149	3,113,211
1986	1,297,119	1,129,697	83,618	390,167	36,140	77,600	3,014,342
1987	1,309,345	1,188,673	80,912	309,567	36,629	77,687	3,002,813
1988	1,306,593	1,230,266	78,334	302,195	36,194	72,821	3,026,402
1989	1,314,509	1,266,547	83,758	120,216	35,088	69,059	2,889,176
1990	1,520,840	1,402,393	82,587	152,675	35,571	65,281	3,259,346
1991	1,681,879	1,702,391	81,328	233,183	36,016	64,342	3,799,140
1992	1,613,802	1,791,252	80,399	251,787	35,616	66,150	3,839,005
1993	1,584,936	1,902,107	82,468	263,636	35,309	63,318	3,931,774
1994	1,778,653	1,947,175	83,500	263,000	30,984	63,895	4,167,207
1995	1,687,610	1,912,712	79,083	242,013	37,455	58,342	4,017,214
1996E	1,498,965	1,907,603	58,188	152,623	33,386	47,695	3,698,460
1997P	1,663,710	1,928,472	76,069	186,673	35,824	46,668	3,937,416

Fiscal year	BIA Education Program [1] (Approps.)	BIA Tribal Services Program [1, 2] (Approps.)	BIA Economic Devt. Program [1, 3] (Approps.)	BIA Natural Resources Program [1] (Approps.)	U.S. Dept. of Education (Outlays)	U.S. Dept. of HHS (except Soc. Sec. Admin.) (Outlays)	U.S. Dept. of HUD (Outlays)	U.S. Dept. of HUD (B.A.)
1975	$563,554	$245,588	$110,034	$77,971	$18,802,962	$83,977,607	$18,690,995	NA
1976	573,474	323,984	123,460	84,782	18,949,439	94,784,865	16,541,031	68,744,395
1977	523,232	351,735	163,504	100,659	19,644,947	102,774,000	12,838,737	74,755,579
1978	532,639	390,060	157,649	158,773	20,705,010	106,757,564	15,780,943	78,376,621
1979	497,928	389,616	157,903	143,047	23,587,975	109,784,810	17,506,329	59,130,380
1980	469,428	349,643	135,546	129,054	25,676,325	118,655,215	22,138,659	62,325,497
1981	429,186	360,986	116,540	136,153	27,088,729	128,384,342	23,636,914	54,358,548
1982	397,274	351,967	79,100	126,752	22,148,718	132,234,188	22,782,906	31,277,137
1983	427,664	398,577	85,809	171,042	20,882,377	136,281,967	22,684,016	23,755,533
1984	353,810	351,875	81,633	137,865	21,457,905	141,625,494	23,051,581	25,105,929
1985	360,211	323,025	94,850	165,784	22,285,115	152,652,099	38,366,412	41,943,893
1986	335,191	331,091	79,219	176,102	23,023,139	160,161,476	18,419,293	20,749,876
1987	350,989	347,937	48,046	182,490	21,227,437	166,046,570	19,564,621	18,519,675
1988	290,773	414,665	48,223	178,061	22,251,220	170,779,268	23,095,122	18,230,488
1989	314,301	369,868	53,026	212,688	25,293,645	178,744,649	23,036,789	16,794,147
1990	322,386	361,924	40,941	141,031	25,923,558	196,909,776	22,623,237	19,423,878
1991	587,638	392,871	45,764	150,749	27,344,245	213,787,770	24,551,439	29,820,863
1992	437,702	453,647	50,476	146,929	27,349,350	243,138,000	25,693,500	26,214,300
1993	465,330	465,341	70,041	140,882	30,998,538	259,772,661	25,770,029	27,087,135
1994	498,675	527,999	67,614	148,338	24,699,000	278,901,000	25,845,000	26,322,000
1995	498,621	525,278	65,012	146,689	30,565,149	295,757,481	28,342,193	19,321,561
1996E	478,132	470,580	51,367	130,340	29,002,278	312,333,477	25,213,400	17,049,951
1997P	515,653	562,599	52,815	137,152	27,663,941	330,666,181	30,030,949	20,449,979

Fiscal year	U.S. Dept. of Interior (Outlays)	U.S. Dept. of Labor (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Housing Assistance Subfunction (Outlays)	Housing Assistance Subfunction (B.A.)	Economic Development Function (Outlays)	Training & Employment Subfunction (Outlays)
1975	$5,526,185	$43,816,351	$39,865,166	$32,171,801	$5,120,616	NA	$10,753,791	$10,109,360
1976	5,727,915	60,094,843	44,519,058	37,041,928	5,883,296	45,722,085	12,811,883	14,803,587
1977	7,102,421	49,226,211	46,650,947	38,246,526	6,560,842	63,285,158	15,520,105	15,201,789
1978	7,991,552	46,851,866	55,099,214	38,212,574	7,585,167	66,630,648	24,426,424	22,245,972
1979	7,913,924	42,643,671	57,385,443	38,912,658	8,291,772	47,050,633	19,898,734	20,568,987
1980	7,774,172	51,300,497	55,356,209	40,277,235	9,790,728	48,557,285	19,560,596	17,983,858
1981	7,078,366	47,370,726	53,546,823	42,676,702	12,314,070	42,773,601	16,787,292	14,679,349

1982	5,899,145	45,450,641	40,427,991	41,050,214	13,069,658	21,849,573	12,484,829	8,172,650
1983	6,522,336	53,940,164	38,164,344	41,083,402	14,341,393	15,058,607	10,844,262	7,595,287
1984	6,838,142	33,605,534	38,152,767	42,078,854	15,590,909	17,529,051	10,614,822	6,424,506
1985	6,438,931	31,658,969	39,197,328	44,808,015	33,748,282	35,907,061	10,259,542	6,641,985
1986	6,233,561	31,188,648	39,843,983	46,814,888	16,131,700	15,167,680	9,422,643	6,848,449
1987	6,375,812	29,381,047	37,557,401	50,499,819	15,991,336	12,463,538	6,382,130	6,423,827
1988	6,271,951	26,515,854	38,948,780	54,252,439	16,958,537	11,826,829	6,456,098	6,359,756
1989	6,095,151	26,395,151	42,929,431	56,643,813	17,224,916	11,200,000	6,276,589	6,194,649
1990	6,495,192	28,286,058	43,475,160	64,745,513	17,826,442	12,491,186	9,533,013	6,303,365
1991	6,569,784	36,641,007	46,784,892	76,816,187	18,534,173	21,281,655	7,350,000	6,403,597
1992	6,865,950	49,431,900	47,510,400	93,971,850	19,849,200	20,722,800	7,179,900	6,802,950
1993	6,942,690	45,695,468	51,181,871	101,740,497	22,045,906	21,665,205	9,263,743	6,856,725
1994	6,900,000	37,047,000	46,307,000	107,122,000	23,884,000	21,110,000	10,454,000	7,097,000
1995	7,226,069	31,314,591	52,951,812	112,629,089	26,858,922	14,954,693	10,383,875	7,250,465
1996E	6,619,090	32,817,866	51,635,388	115,622,786	25,347,900	16,420,380	12,284,283	7,265,832
1997P	6,469,138	32,811,437	49,944,245	125,604,502	26,320,832	15,568,492	11,048,216	6,899,418

Fiscal year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget [4] (Outlays)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure
1975	$18,277,962	$553,810,308	$2,564	$4,946
1976	19,267,265	601,386,323	2,758	7,073
1977	22,176,000	623,536,421	2,831	5,648
1978	22,656,483	657,627,996	2,955	6,467
1979	23,041,139	654,127,215	2,907	6,697
1980	24,090,894	703,037,583	3,087	5,783
1981	21,552,799	717,942,663	3,122	5,054
1982	19,441,453	711,071,368	3,062	3,990
1983	18,177,049	729,619,467	3,114	3,842
1984	17,421,146	710,112,648	3,005	3,423
1985	17,843,321	753,620,802	3,160	3,237
1986	17,767,928	756,773,821	3,145	3,055
1987	16,884,657	736,971,119	3,035	2,968
1988	17,812,195	758,464,634	3,096	2,915
1989	18,942,140	784,687,124	3,172	2,690
1990	19,160,256	862,831,891	3,453	2,700
1991	20,027,698	923,697,842	3,656	3,056
1992	21,026,250	927,239,250	3,630	3,021
1993	20,712,427	940,269,883	3,643	3,028
1994	21,064,000	976,242,000	3,745	3,111
1995	21,570,864	990,370,539	3,768	2,919
1996E	20,556,476	1,016,659,399	3,833	2,631
1997P	20,123,302	1,062,273,296	3,969	2,742

Notes to Appendix Tables:

1. Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA Education Program" excludes BIA education construction. FY1996E and FY1997P are CRS estimates.
2. Includes Tribal Services (with Housing Improvement Program) and Navajo-Hopi Settlement programs.
3. Includes Road Maintenance program.
4. Excludes national defense outlays and net interest payments on national debt.

N/A Not Available.
E Estimate
P Proposed amounts and projections.
B.A. Budget authority.

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC, May 2, 1996.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. JIM EXON, *Ranking Minority Member,*
Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE AND JIM: Thank you for your letter of February 28, 1996 requesting our views pursuant to section 301(d) of the Congressional Budget Act. As you know, the Committee on the Judiciary has jurisdiction over Administration of Justice programs.

Balancing the federal budget will, of course, require us to make tough choices about spending priorities. We share your view that we can make changes to produce savings throughout the government. No department should be exempt from scrutiny.

The Administration's Fiscal Year 1997 request is quite different from the Fiscal Year 1995 submission. The 1995 submission proposed fewer criminal case filings, fewer FBI personnel, fewer DEA personnel, fewer Organized Crime Drug Enforcement Task Force personnel and fewer federal prosecutors. This year, the Administration requests additional personnel. Nevertheless, there are opportunities for additional enhancements.

FLEXIBILITY IN PROVIDING ASSISTANCE TO LOCAL LAW ENFORCEMENT AND EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE PROGRAMS

The Administration requests $2.0 billion in seed money to fund the Community Oriented Policing Services program. We support additional policy officers on the street and we believe that local law enforcement knows best how to expend scarce financial resources. Therefore, they should be given more flexibility in how to utilize additional police personnel.

The Administration's budget fails to recognize the need to provide State and Local governments with the appropriate flexibility to use federal funds in the manner which best suits their individual needs. During this 104th Congress, Republicans are attempting to fix this deficiency and will continue to fight to support local law enforcement. Accordingly, the Budget Committee should consider enhancements to the Edward Byrne Memorial State and Local Law Enforcement Assistance Programs.

IMMIGRATION AND NATURALIZATION SERVICE

In Fiscal Year 1996, Congress provided an increase to the Immigration and naturalization Service of 25% over Fiscal year 1995 levels. The Administration requests another 16% increase for the Immigration and Naturalization Service. We agree there is a need for enforcement of the nations' immigration laws, however, we need to be prudent as we spend scarce taxpayer resources. The Immigration and Naturalization Service needs to ensure that adequate safeguards are in place to properly screen and select candidates for employment that meet the highest standard required for each identified position.

DRUGS

After years of lack of leadership on the fight against drugs, the administration attempts to gloss over its dismal record by requesting an increase of 18.3% for the DEA and increases for other anti-drug-operations. During this administration, the number of 12–17 year olds using marijuana increased from 1.6 million in 1992 to 2.9 million in 1994. The category of "recent marijuana use" increased a staggering 200 percent among 14–15 year olds over the same period. Since 1992, there has been a 52 percent jump in the number of high-school seniors using drugs monthly. Even as worrisome, declines are noted in peer disapproval of drug use.

We are pleased that the administration has taken heed of our warnings and is requesting sufficient funding for federal law enforcement initiatives to combat drug trafficking, distribution and abuse.

PRISON CONSTRUCTION

The proposed Fiscal year 1997 cuts the new construction budget by 11.6%, from $335 million to $296 million. As we attempt to bring more criminals to justice by funding additional agents, attorneys and judicial personnel, we need additional prison capacity. Now is not the time to yield on the initiative of increasing prison capacity.

Additionally, we support full funding of the Violent Offender Incarceration and Truth-in-Sentencing Incentive Grants as passed by this Congress.

ANTITERRORISM FUNDING

In the recently passed Antiterrorism and Effective Death Penalty Act of 1996, Congress authorized for Fiscal Year 1997 $253.5 million to support the antiterrorism efforts of Federal law enforcement, State and local law enforcement and emergency service personnel. We support full funding of the amounts authorized in the Antiterrorism and Effective Death Penalty Act of 1996.

DEPARTMENT OF JUSTICE FUNDING TRENDS

Since Fiscal Year 1982, the first full budget submission of the Reagan Administration, to the Fiscal Year 1997 request, the Justice Department's budget authority increases over 600%. Since Fiscal Year 1990 to Fiscal Year 1997 request, the Justice Department budget doubled. In fact, in recent history, the only year in which Justice Department funding did not increase was Fiscal Year 1994 budget, the first full year budget request of the Clinton Administration.

Given the Fiscal Year 1994 and 1995 budget requests, the first two requests of this Administration, it is safe to say that funding increases for the Department of Justice and Federal Law Enforcement are due, in large part, to the efforts of this Republican party.

In these times of fiscal restraint, enforcement of the law, the administration of Justice, and the punishment of crimes are vital functions on which the security and well being of our nation depend. All agencies of the government must face renewed scrutiny, however, special attention must be given to core government functions. In an annual budget of $1.638 trillion, expenditures of about $23.9 billion, less than 1.5% for the Administration of Justice function, is not exorbitant.

Thank you again for contacting me on this matter, and we look forward to working closely with you on this matter and other issues.

Sincerely,

ORRIN G. HATCH,
CHARLES E. GRASSLEY,
U.S. Senators.

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC, April 15, 1996.

Hon. PETE DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE: Thank you for seeking the views and estimates of the Senate Committee on Labor and Human Resources to aid your efforts in assembling the 1997 budget resolution.

The Committee on Labor and Human Resources will continue to do its part to contribute to fiscal restraint. Doing so will allow us to preserve programs that work and serve the national interest best. We again look forward to working with your committee and the Committee on Appropriations to ensure that authorized funding levels for programs under the Labor Committee's jurisdiction are consistent with overall spending limits.

The committee has an ambitious agenda for the remainder of the 104th Congress. As before, we will focus on the dual responsibilities of oversight and authorization, with an emphasis on program consolidation.

OVERSIGHT

The committee will continue to fulfill its oversight responsibilities, a task begun in the first session of the 104th Congress. Special attention will be given to evaluating the continued need for programs under its jurisdiction.

The committee is in the process of reauthorizing the National Institutes of Health. Grants made by the NIH to biomedical researchers constitute the bulk of support for biomedical research throughout this country. Two oversight hearings conducted earlier this year made a compelling case for continuing and increasing levels of government support for the NIH.

Recently, the committee reported a bill reauthorizing the Individuals with Disabilities Education Act. Under the bill, discretionary programs under IDEA would be authorized at $254 million annually. The committee also hopes to report legislation reauthorizing the Older Americans Act and allowing states more flexibility to meet the core objectives of the act based on the needs of senior citizen in each state.

The committee also has approved legislation reforming the Food and Drug Administration and the Occupational Safety and Health Act. Other programs scheduled for oversight or reauthorization this year include AmeriCorps, the Fair Labor Standards Act, the National Science Foundation, and the Legal Services Corporation. The committee also plans oversight hearings on pension issues.

As you will recall, the committee last year reported legislation to repeal the Davis-Bacon Act, 65-year-old legislation enacted when labor conditions were much different than they are today. Enactment of this repeal legislation would produce estimated savings of $2.7 billion over five years.

CONSOLIDATION

The committee will seek to continue efforts to achieve budget savings by reducing administrative expenses and eliminating duplicative activities in programs under its jurisdiction. Program consolidation is an important tool in accomplishing that task.

Last year, the committee reported important legislation consolidating federal job training and work force development programs. More than 80 federal programs will be replaced by a grant to states. This legislation passed the Senate, and the bill is currently in conference with the House of Representatives.

The Youth Development Community Block Grant, which also has been favorably reported by the committee, would consolidate current problem-focused federal programs funded through the Departments of Education, Justice, and Health and Human Services, as well as the crime bill, into a single grant allowing communities the flexibility and funding to develop programs to meet local needs. The bill authorizes $900 million for the grant, a level equal to the sum of the fiscal year 1995 appropriation levels for existing programs and estimated fiscal year 1996 appropriations for the crime bill programs, less 10 percent.

The committee also hopes for enactment of legislation consolidating 44 separate health professions training programs into six programs, at a five-year savings of 7.5 percent. Such legislation was reported out of committee last year. The federal government spends approximately $400 million on these programs annually.

OTHER ISSUES

During the budget reconciliation process last year, the committee drafted reforms to the student loan program to meet reconciliation instructions. In the reconciliation bill's final form, the student loan reforms would save $4.7 billion over seven years.

Although the Balanced Budget Act of 1995 has been vetoed, the committee continues to hope for an agreement that could incorporate those savings. Additional substantial mandatory savings that might be expected of the committee during this budget cycle would be difficult to attain, given the limited number of mandatory programs under the committee's jurisdiction and the Senate's position on further changes to the student loan program.

However, the committee will continue to seek to limit the expansion of the direct student loan program. The savings associated with this program depend on faulty scoring practices that last year's budget resolution attempted to correct. Until we have more data and experience with this program, it should be capped. We hope that you will again include language in the budget resolution requiring that the administrative cost of new direct student loans be measured on a net present value basis.

The committee looks forward to continuing to work with you throughout the fiscal year 1997 budget process.

Warmest regards,

NANCY LANDON KASSEBAUM,
U.S. Senator.

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC, April 18, 1996.

Hon. PETE V. DOMENICI, *Chairman*
Hon. J. JAMES EXON, *Ranking Member*
U.S. Senate, Committee on the Budget,
Washington, DC.

DEAR PETE AND JIM: I write to provide minority views and estimates from the labor and Human Resources Committee for your consideration as you prepare the fiscal year 1997 budget resolution.

As you know, the Labor Committee has very few programs or accounts within its jurisdiction that can generate mandatory savings. In fact, only the student loan accounts can provide significant mandatory savings.

With respect to student loans, I urge you to reject the directed scorekeeping provision inserted into last year's budget resolution that incorrectly accounts for administrative expenses in the direct student loan program and will require an addition of $5.8 billion in outlays to the baseline used for the consideration of this year's budget resolution. It is completely unacceptable to manipulate scoring rules to create an artificial advantage for the guaranteed student loan program—particularly when such manipulation adds almost $6 billion to the deficit.

The President's budget proposal outlines a sound approach on student loans. It specifies that colleges, not the government, should be free to choose the student loan program that best serves their students, and it identifies $4.4 billion in outlay savings over six years by lowering costs in both the direct and guaranteed loan programs.

On the discretionary side of the budget, the 602(b) allocation for the Labor, Health and Human Services, and Education Appropriations Subcommittee should be increased from the current level. We need to invest in the nation's future by supporting increased funding for education, job training, labor protection enforcement, health care, and poverty programs. The President's fiscal year 1997 budget request demonstrates that it is possible to balance the budget without cuts in these crucial areas.

It is more important than ever to invest in education. Next year, enrollments will reach an all-time high of 52 million students. Schools and communities are working to help all children come to school ready to learn, to make their schools safe, to help all children achieve higher standards, and to provide access to higher education. We should support these efforts.

I support increased funding in early childhood development programs, including Head Start and immunizations. I also support an increased investment in education programs, including Goals 2000, Title I: Helping Disadvantaged Children meet High Standards, TRIO, Safe and Drug-Free Schools and Communities, and Educational Technology. The President has made strong investments in these areas, and I encourage you to adopt them. We also should increase the maximum Pell grant and maintain or increase funding in higher education programs such as campus-based aid programs, including college work study, and Perkins loans and State Student Incentive Grants.

In addition, the Budget Committee has an opportunity to establish a pro-worker support system. Priority investments in training and labor protection will provide individuals with the opportunity to improve their job skills and will ensure them a safe and secure workplace. I ask the Committee to invest in training programs including the Dislocated Worker, Summer Youth Employment, and School-to-Work programs. Priority workforce protection programs include the Occupational Safety and Health Administration, the Mine Safety and Health Administration, and the Wages and Hour Division. The President's 1997 budget request funds these programs at appropriate levels.

Increased investments in health care and research will also benefit the nation. Increased funding for the Ryan White CARE Act will enhance the quality of life for individuals and families living with

HIV disease. We should increase child care funding for low-income working families, so that they will not have to choose between the job they need and taking care of their children. In addition, the Substance Abuse and Mental Health Services Administration should receive an increase above the enacted fiscal year 1995 level. I support the President's fiscal year 1997 budget request for the Low-Income Home Energy Assistance Program, which would provide $1 billion in regular appropriations, plus $300 million in emergency funds.

With my thanks for your consideration of these requests, and I look forward to working with you on these important issues.

Sincerely,

EDWARD M. KENNEDY, *Ranking Member.*

U.S. SENATE,
COMMITTEE ON RULES AND ADMINISTRATION,
Washington, DC, April 15, 1996.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. JIM EXON, *Ranking Member*
Committee on the Budget, U.S. Senate,
Washington, DC.

DEAR PETE AND JIM: This is in response to your letter dated February 28, 1996, regarding the views and estimates of the Rules Committee on the budget for fiscal year 1997.

We have reviewed the President's Budget with respect to the Legislative Branch accounts within the Committee's jurisdiction and believe that for the purposes of the budget resolution we do not anticipate any changes. These are the estimates of the Legislative Branch and are printed in the President's Budget without change. At this time the Committee has no plans for new initiatives that would have significant budgetary impact.

With kind regards,

Sincerely,

JOHN WARNER,
Chairman.
WENDELL H. FORD,
Ranking Member.

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC, April 15, 1996.

Hon. PETE DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

Hon. J. JAMES EXON,
Ranking Minority Member, Committee on the Budget
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: As Chairman of the Committee on Small Business, I am submitting the following views and estimates on the President's FY 1997 budget request for the Small Business Administration and other matters under the Committee's jurisdiction in compliance with Section 301(d) of the Congressional Budget Act.

Last year, Senator Bumpers joined me in signing a letter to you in which we commented that it was time for the Small Business Administration to reevaluate the programs it administers to determine if they are truly needed federal responsibilities and, if so, whether they are being administered as effectively and efficiently as possible. We viewed 1995 as an opportunity to undertake a through top-to-bottom review to "rethink" SBA, which would include its mission and purpose, its customers, and results Congress expects from funded programs and initiatives.

Reaching this goal has not been easy. Last year, after Administration had submitted its Fiscal Year 1996 budget request, it subsequently announced its intention to undertake a significant reorganization of SBA, including elimination of certain field offices and adjustments to selected program activities. For the most part, SBA officials backed up its "reinvention" announcement with press release-type documentation. The Committee on Small Business did not receive any detailed planning documents or cost analysis from SBA to implement its reorganization. In fact, within days after its announcement, SBA began to backtrack from its "reinvention" proposal, and no serious effort was made to implement its plans.

I continue to support the fundamental mission of SBA, and I continue to believe that SBA can be streamlined and made more efficient in achieving this mission. The current structure of its headquarters and its 65+ field offices is antiquated and fails to make the best use of its resources in delivering its programs. For example, SBA continues to rely heavily on each of its field offices to process individual guaranteed loan applications, duplicating work already completed by banks that submit loan applications under the 7(a) guaranteed business loan program. By centralizing this function and enhancing its bank examination and supervision efforts, SBA would be able to close a substantial number of its field offices. Historical evidence indicates that the federal government sustains a lower loss rate on its SBA loan guarantees when originating lending institutions, rather than SBA, perform the loan review and approval process. Therefore, the taxpayer and the federal government would win twice if these reforms were adopted: first with a lower loan loss rate, and second with a reduced payroll accompanied by significant administrative and organizational savings.

Last year Senator Bumpers and I recommended reducing the annual Function 370 Budgetary Authority in FY 1996–FY 2000 from $706 million to $586 million, a reduction of $120 million per year. This reduction was a 17% cut from SBA's FY 1995 BA. We believed these savings could be accomplished consistent with a Congressional demand for capable performance of SBA's necessary and appropriate core functions. The five year savings we projected last year would total $600 million.

The final funding level approved by Congress for SBA under Function 370 was $489 million for FY 1996. At that time, I believed these reductions would trigger real efforts to streamline SBA. During the Senate floor debate on the FY 1996 Commerce, Justice, State Appropriations bill, Senator Hatfield entered into a colloquy with me regarding the need for the Small Business Administration to continue to reduce its staffing level as part of the overall effort to balance the budget. To date, SBA staff levels remain about the same as last fall, and the Administration's FY 1997 budget request recommends an increase of 28 FTEs above the FY 1996 level.

The Administration recently requested $664 for function 370 SBA funding, substantially more money for Fiscal Year 1997 than it requested in Fiscal Year 1996. This increase is primarily to fund a 150% increase in the credit subsidy rate for the 7(a) guaranteed business loan program. This subsidy rate increase was presented to the Congress without any advance warning. The preliminary numbers presented in support of the subsidy rate increase appear to contradict the data submitted last year to the Committee. Explanations supporting the increase are sketchy. The Committee staff has requested additional data to help us analyze this increase, and there will be some direct and pointed inquiries made of SBA about what management and operational changes will be made in response to this material adverse change in the condition of this program.

This year I am comfortable reiterating the vision for SBA that Senator Bumpers and I set forth last year, which reduced Function 370 budget Authority from FY 1996–FY 2000 to $586 million annually. To develop a coherent, multi-year strategy to reduce the size of SBA while maintaining the delivery of programs deemed critical to small business, SBA needs to combine an orderly downsizing with the adoption of improved agency operating procedures and management information systems to allow it to deliver its key programs more effectively. This strategy must be executed with special effort and a sense of urgency at SBA because of the recently acknowledged deficiencies in some of the credit programs. Senate and House Appropriations Committees will need to impose explicit, targeted reductions in SBA's organization and personnel if we are to meet the funding goals outlined for SBA. Concurrently, Congress will need to fund improvements in SBA's information systems to complete the progression to a more streamlined SBA. These objectives can be accomplished within the funding levels contained in this budget recommendation.

Senator Bumpers is not joining in this letter this year in deference to the Administration's substantially higher budget request, and I understand Senator Bumpers' position under these circumstances. Our bipartisan activities in the Committee during the 104th Congress serve as ample evidence of our share commitment to the important priorities of America's small businesses and entrepreneurs. In good conscience, I do not believe the interests of small businesses are best served by further increases in federal spending and the budget deficit. I believe SBA will prove itself to be up to the challenge of prioritizing and becoming increasingly effective and efficient, which I believe is a fair request and one that Congress is justified in insisting upon.

I look forward to the opportunity to work with you to develop this portion of the Budget Resolution for FY 1997.

Sincrely,

CHRISTOPHER S. BOND, *Chairman.*

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC, April 18, 1996.

Hon. PETE DOMENICI, *Chairman,*
Hon. JIM EXON, *Ranking Democrat,*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: As Democratic members of the Small Business Committee, we are writing to state our views and estimates of the President's budget request for the Small Business Administration. For the first time in many years, we seem to have an honest but serious disagreement between the majority and minority members of our Committee with respect to the President's budget.

For many years our Committee has been united in rejecting phony savings which SBA budgets have contained, including imposing fees or other gimmicks which would not be enacted. This year, however, is different. The Clinton Administration's FY 1997 budget for SBA is, notwithstanding some serious questions and concerns on specific issues, the best and most honest budget for small business programs in the memory of anyone now serving. Moreover, substantial savings for SBA were achieved in 1993 and again in 1995 by both the authorizing and appropriations committees, as well as during previous administrations. Further reductions in resources for loans would be imprudent given the current economic uncertainty, and reduction in personnel for loan making and collection would be dangerous and perhaps very costly in the long run.

President Clinton has requested a significant increase in budget authority for SBA compared to the FY 96 request or the appropriated level. Overwhelmingly, however, this increase goes to fund a current services level of loan programs and is necessitated by an OMB re-estimate of the subsidy cost of the largest small business loan program, Sec. 7(a) guaranteed bank loans. The budget contains an even more drastic increase in cost of the Sec. 504 long-term debenture program, but this cost is offset by a proposed restructuring of the 504 program. We have serious questions about the magnitude of these increases in subsidy costs and OMB's reasoning. However, we are impressed by the thoroughness with which OMB and SBA have approached this reassessment of loan program costs—the first such major study since the Credit Reform Act of 1990 became law.

It bears mentioning that the 7(a) program underwent major surgery in 1993 which reduced the subsidy cost from 5.4% to 2.2%, and again in 1993 when it was further reduced to about 1%. As frustrating as it is to see this rise again to 2.7%, we cannot recommend further surgery of this vital economic program. Such a course would strain both borrowers and banks which participate beyond the dropout point.

If program costs are higher than previously thought, in part because recoveries on failed loans have been less than anticipated, we can hardly agree that the solution is to have still fewer people doing even more work. Some historical perspective is needed. Ten years ago, SBA had over 4,000 employees, and the 7(a) program was a little over $2 billion. Today, the appropriated level for 7(a) is $10 billion, and SBA has 3,400 employees. The expression “doing more with less” has been worn threadbare in Congress. In many ways, we are now doing less with less, and a policy of fewer resources for oversight and loanmaking is surely dangerous given the agency’s exposure in outstanding, taxpayer-backed loans. The agency currently is responsible for collection 450,000 loans totaling over $33.5 billion.

Regrettably, we must differ with Chairman Bond’s assertion in his letter to you that SBA could significantly reduce its costs by closing offices in some areas. In fact, SBA proposed a dramatic reorganization in both 1993 and 1995, and both efforts were halted by opposition—including that of many Republicans—in Congress. We hope our Committee will conduct one or more hearings on the President’s budget proposal in the near future. This will enable us to better understand the reasoning behind these large increases in subsidy costs. For the time being, we must say that we are generally in support of the Administration’s budget request, reserving the rights of both authorizing and appropriations committees to make final decisions on individual items.

Sincerely,

DALE BUMPERS,
JOHN F. KERRY,
CARL LEVIN,
PAUL D. WELLSTONE,
HOWELL HEFLIN,
TOM HARKIN,
SAM NUNN,
FRANK R. LAUTENBERG,
JOE LIEBERMAN.

U.S. SENATE,
COMMITTEE ON VETERANS’ AFFAIRS,
Washington, DC, May 7, 1996.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. J. JAMES EXON, *Ranking Minority Member,*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: Pursuant to section 301(d) of the Congressional Budget Act of 1974, and with the approval of the members of the Committee on Veterans’ Affairs, the Committee on Veterans’ Affairs (hereafter, “Committee”) hereby reports to the Committee on the Budget its views and estimates on the FY 1997 budget for veterans’ programs within the Committee’s jurisdiction. This report is submitted in fulfillment of the Committee’s obligation to provide recommendations for programs in Function 700 (Veterans’ Benefits and Services) and for certain veterans’ programs included in Function 500 (Education, Training, Employment, and Social Services).

I. INTRODUCTION

We have carefully reviewed the Administration’s proposed FY 1997 budget for veterans’ programs. We have also carefully reviewed the testimony of witnesses at the Committee’s hearing of April 24, 1996, on the proposed budget. At that hearing, testimony was received from the Secretary of Veterans Affairs, and VA witnesses were questioned at length by the Committee's members. Statements were also accepted from the Chief Judge of the U.S. Court of Veterans Appeals, the Assistant Secretary of Labor for Veterans' Employment and Training, and the following veterans service organizations: The American Legion, AMVETS, the Disabled American Veterans, the Paralyzed Veterans of America, the Veterans of Foreign Wars, and the Vietnam Veterans of America. In addition, Committee staff has engaged in informal briefing sessions with representatives of affected government agencies and service organizations, and has requested information, in writing, from hearing witnesses. While responses have not been received on the date of this submission, we endeavor to offer our views based on the information that is currently available, and the analysis that is currently possible.

II. General Comments

In preparing these comments, the Committee's members have kept in mind the fiscal limitations within which we must operate if we are to get Federal spending under control and thereby reduce the Federal deficit and debt. We believe that the Government can be fiscally responsible while still fulfilling its commitments to the most deserving among us—our Nation's veterans. We also are mindful of the fact that uncontrolled Federal spending threatens the long-term health of the Nation's economy and, in turn, could affect the provision of veterans' benefits. Thus, we recognize that those who have worn the uniform in defense of the Nation seek, as we do, to protect the health of the Nation's economy.

A. COST-SAVINGS PROVISIONS

The Committee is pleased to note that the Administration recommends the enactment of a number of cost-savings provisions, the majority of which the Committee agreed to last year as part of the budget reconciliation process. On September 20, 1995, the Committee unanimously approved a series of recommendations for meeting the budget reconciliation instructions presented to it in the Concurrent Resolution on the Budget for Fiscal Year 1996, H. Con. Res. 67. Subsequently, our Committee's recommendations were reconciled with those of the House Committee on Veterans' Affairs, and those recommendations were included in Title X of H.R. 2491, the "Balanced Budget Act of 1995." This bill was vetoed by the President in December 1995. The provisions in Title X, if enacted, would have resulted in savings of almost $6 billion over fiscal years 1996–2002.

Among the provisions approved by the Congress in the "Balanced Budget Act," most of which were included in the legislation reported by our Committee, were a series of extensions to time-limited measures that had previously been enacted in prior Omnibus Budget Reconciliation Acts (OBRAs). Those provisions are summarized below:

Extension of the authority of the Department of Veterans Affairs (VA) to require that certain veterans make copayments for outpatient medications;

Extension of VA's medical care cost recovery authority;

Extension of VA's income verification authority;

Extension of VA's authority to limit pensions paid to VA beneficiaries who are receiving Medicaid-covered nursing home care;

Extension of certain additional home loan guaranty program fees;

Extension of procedures applicable to liquidation sales on defaulted home loans guaranteed by VA; and

Extension of VA's enhanced loan asset sale authority.

Collectively, these provisions, if enacted, would have saved $2.709 billion over seven fiscal years.

In addition to these extensions in previously enacted OBRA provisions, the "Balanced Budget Act" included provisions, some of which were in the Senate-passed legislation, which would have:

Increased the amount of the copayment charged by VA for prescription drugs received by certain veterans as part of outpatient care from $2.00/prescription/month to $4.00/prescription/month, and removed VA's authority to waive the recovery of copayments;

Modified the methodology for computing annual cost-of-living adjustments made to VA compensation, and dependency and indemnity compensation, benefits;

Revised the standard for the receipt of compensation for disability or death resulting from VA health care treatment; and

Allowed VA to refer a veteran's home loan guaranty debt for offset, under certain circumstances, to the Internal Revenue Service or the debtor's employing Federal agency (if applicable).

These provisions, had they been enacted, would have saved $3.964 billion over seven years.

With two execptions—the extension of VA's enhanced loan asset sale authority and the copayment increase—each and every one of these measures is now included in the Administration's FY 97 budget submission. Thus, it appears that the Administration and the Congress have reached consensus on approving measures which were scored in 1995 as achieving savings of over $5.896 billion over a seven year period, an amount which represents over 88% of this Committee's 1995 reconciliation instructions.

While this Committee's members may have disagreements on a number of policy issues, we are pleased to be able to report that all interested parties—Republicans and Democrats, the Administration and the Congress—agree on the lion's share of what we expect we will be charged to accomplish in terms of savings for FY 97 and beyond. As is noted above, the Committee's members—and this Nation's veterans—recognize the need for all to pull their weight.

B. OTHER GENERAL OBSERVATIONS

As noted last year, there is bipartisan consensus that veterans' programs—particularly aspects of veterans' programs which are non-discretionary, "entitlement" spending—do not display the sharply spiraling growth patterns that other aspects of the Federal budget do. That being the case, veterans' programs are not necessarily among the chief factors in looming Federal deficits; budgetary categories which display unrestrained growth patterns are. That said, we believe further efficiencies in the administration of veterans' programs can be identified which will control the rate of budgetary growth. We are determined to preserve scarce funds for the benefit to direct beneficiaries.

We acknowledge the leadership of the veterans' community which has expressed a willingness to support limits on the rate of growth of veterans' entitlements—if the growth of other Federal entitlements is similarly restrained. Ultimately, the deficit will be brought under control by such a course. Veterans will pull their weight in such a concerted effort—just as they have pulled their weight in defense of the Nation in the past.

C. OVERALL SPENDING PROJECTIONS

The fact that veterans' spending is not spiraling out of control is reflected by the overall numbers set forth in the President's proposed budget for FY 97. Overall spending is slated to increase at a rate of 2.6% relative to FY 96 funding. Entitlement spending will increase at a lower rate (2.1%), while VA discretionary spending—principally, spending for the provision of medical care—will increase by less than 3% relative to FY 96 levels. When viewed against the backdrop of the likely requirement that VA provide, from discretionary funding, cost-of-living salary and wage adjustments to a workforce of over 200,000 employees, the proposed budget for FY 97 can be fairly characterized as one that stands in place.

The Committee notes, however, that the Administration's budget proposes declining funding levels for medical care in the years after FY 97. There is however, nothing in the budget to explain the policy which would permit the Veterans Health Administration (VHA) to furnish care at such levels. Further, there is nothing in the budget which explains why such cuts would be necessary to achieve a balanced budget. The Secretary of Veterans Affairs has testified that he believes that out year funding levels will be revisited in subsequent years.

It is the Committee's view that the out year funding levels in the budget cannot be sustained; further, it is the Committee's view, based on a collective assessment of relative priorities, that such funding cuts need not be sustained in order to achieve a balanced budget.

Thus, absent any information which refutes the Committee's current understanding, the Committee rejects the out year projections for medical care funding levels as an unrealistic route to the laudable goal of achieving a balanced budget. It urges the Budget Committee to do likewise.

III. VETERANS' MEDICAL CARE

A. PROJECTED FY 97 MEDICAL CARE SPENDING

The President requests a modest increase of $448.4 million to provide medical care to 2,858,582 patients (unchanged from 1996). Inpatient average daily census would be reduced, while outpatient visits would be increased by 1,575,451. VA projects a reduction of 5,154 employees in VHA staffing.

The Committee notes with approval VA's continuing movement from inpatient to outpatient care. We also endorse VA's effort to provide more cost effective, therapeutically appropriate care. FY 97 will be the first year in which VHA field operations will operate under the new Veterans Integrated Service Network (VISN) structure. The Committee hopes that the VISN structure will help VA achieve greater efficiencies in delivering medical services to veterans. VA's allocation of scarce resources will depend upon accurate and reliable data showing actual and projected medical services costs and workloads. The Committee is concerned that any shortcomings in the collection, processing, and analysis of that data may result in the inequitable distribution of resources among, and within, the VISNs.

B. CONSTRUCTION PROGRAMS

VA's FY 97 budget request proposes "major" (by current definition, over $3 million) construction projects with a total cost of $529.6 million. Of that amount, $425.9 million would be expended for the construction of one new hospital, the replacement of another hospital, and the renovation or replacement of inpatient facilities at three existing hospitals. VA also proposes two outpatient construction projects with a total cost of $90 million. Finally, VA proposes five medical facility renovation projects for which no cost is reported (except that the cost would be more than $3 million and less than $10 million). Four of these projects would be for inpatient facilities and only one for an outpatient project.

To summarize, then, 83% of the total cost of projects exceeding $10 million each would be for inpatient medical care facilities; and four out of five projects with a cost between three and 10 million dollars would be expended on inpatient medical care projects. The Committee continues to be concerned that, even as VA takes commendable steps to emphasize primary medical care, its construction programs continue to emphasize inpatient hospital facilities.

IV. VETERANS' BENEFITS PROGRAMS

A. COMPENSATION AND PENSION BENEFITS

The Committee notes that expenditures for compensation and pension benefits—the principal entitlements payments made to disabled veterans and their survivors—are slated to rise only slightly more than three-quarters of one percent during FY 97. As is noted above, therefore, veterans' entitlements are not properly characterized as being among those which are experiencing unrestrained growth. We expect this slow growth pattern to continue for so long a period as there are no major military mobilizations.

B. THE GARDNER AND DAVENPORT DECISIONS

Notwithstanding the foregoing, two recent judicial decisions, *Brown* v. *Gardner,* 115 S. Ct. 552 (1994), and *Davenport* v. *Brown,* 7 Vet. App. 476 (1995), will, as matters now stand, result in significant compensation costs not previously anticipated. To summarize, *Gardner* allows for the payment of compensation for injuries or deaths sustained by VA-treated patients irrespective of VA fault. *Davenport* dictates that certain veterans be deemed eligible for vocational rehabilitation benefits even if there is no "nexus" between the veteran's service-connected disability and his or her job impairment. The Committee notes with approval that VA recommends that the statutes which were subjected to judicial interpretation in these two cases be amended to reflect VA's previous—and invalidated—constructions.

V. General Operating Expenses

A. VETERANS BENEFITS ADMINISTRATION

The Veterans Benefits Administration, (VBA), the VA operating entity charged with the administration of veterans' benefits programs, continues to make significant progress in reversing the previously growing backlog of pending benefits claims. It projects continued progress despite declining funding and staffing ceilings.

VBA has identified a number of planned restructuring initiatives, one of which (the removal of "on site" adjudication of compensation and pension claims from four VBA regional offices) has been the subject of numerous expressions of concern by Members of Congress (including members of the Committee). The Committee will closely monitor VBA actions with respect to this planned initiative.

B. BOARD OF VETERANS' APPEALS

For the second straight year, VA propose Board of Veterans' Appeals (BVA) staffing increases of over 10%. The Committee notes that BVA reports that in FY 97, for the first time in many years, the number of BVA decisions rendered will exceed the number of appeals received. Even so, we remain highly concerned that the wholly unacceptable backlog of appeals currently pending will still not be reduced to acceptable levels for many years. The Committee awaits the recommendations of the Veterans' Claims Adjudication Commission established pursuant to Pub. L. No. 103–446.

VI. Conclusion

On balance, the Committee is pleased with the budget proposals presented. They restrain budgetary growth and, thus, reflect a consensus that progress must be made in progressing toward a balanced budget. The major reservation that can be expressed with respect to the out years is the uncertain status of funding for VA health care.

These views reflect the best judgment of the Committee on Veterans' Affairs as of this date. If we or the Committee staff can provide further assistance in your consideration of this report, please feel free to call on us.

Sincerely,

Alan K. Simpson,
Chairman,
John D. Rockefeller IV,
Ranking Minority Member,
Bob Graham,
Daniel K. Akaka,

PAUL WELLSTONE,
PATTY MURRAY,
STROM THURMOND,
FRANK H. MURKOWSKI,
ARLEN SPECTER,
JAMES M. JEFFORDS,
BEN NIGHTHORSE CAMPBELL,
LARRY E. CRAIG,
Members.

VIII. COMMITTEE VOTES

Paragraph 7(b) of Rule XXVI of the Standing Rules of the Senate requires the committee report accompanying a measure reported from the committee to include the results of each rollcall vote taken on the measure and any amendments thereto. In addition, paragraph 7(c) requires the report to include tabulation of the vote cast by each member of the committee on the question of reporting the measure.

In accordance with the Standing Rules of the Senate, the following are rollcall votes taken during the Senate Budget Committee mark-up of the Budget Resolution.

(1) Exon substitute amendment, "The President's Budget".

Amendment rejected by:

YEAS: 11	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
Wyden	Abraham
	Frist
	Grams

(2) Grams sense of the Senate that both the President's Budget and the report accompanying the budget resolution should include long term projections of the budget's impact on entitlement spending.

Amendment adopted by voice vote.

(3) Snowe sense of the Congress that Congress should reject the President's proposal to transfer spending for home health care from Hospital Insurance Trust Fund to the general revenues that pay for Medicare part B.

Amendment adopted by:

YEAS: 13	NAYS: 11
Domenici	Exon
Grassley	Hollings
Nickles	Johnston
Gramm	Lautenberg

Bond	Simon
Lott	Conrad
Brown	Dodd
Gorton	Sarbanes
Gregg	Boxer
Snowe	Murray
Abraham	Wyden
Frist	
Grams	

(4) Murray amendment to raise discretionary spending levels in function 500 to those proposed in the President's FY '97 Budget and offset this increase by reducing tax cuts.

Amendment failed by:

YEAS: 11	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
Wyden	Abraham
	Frist
	Grams

(5) Wyden sense of the Senate to limit tax cuts solely to college and vocational education deductions.

Amendment failed by:

YEAS: 6	NAYS: 18
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Simon	Gramm
Murray	Bond
Wyden	Lott
	Brown
	Gorton
	Gregg
	Snowe
	Abraham
	Frist
	Grams
	Lautenberg
	Conrad
	Dodd
	Sarbanes
	Boxer

(6) Snowe sense of the Senate, as modified, to repeal the 4.3 cents per gallon gas tax contained in the Omnibus Budget Reconciliation Act of 1993.

Amendment adopted by:

YEAS: 13	NAYS: 11
Domenici	Exon
Grassley	Hollings
Nickles	Johnston
Gramm	Lautenberg
Bond	Simon
Lott	Conrad
Brown	Dodd
Gorton	Sarbanes
Gregg	Boxer
Snowe	Murray
Abraham	Wyden
Frist	
Grams	

(7) Lautenberg amendment to establish a 60 vote—point of order against the consideration of any legislation that would include tax cuts along with reductions in Medicare or Medicaid funding.

Motion to appeal the decision of the Chair, ruling the amendment out of order, failed by:

YEAS: 11	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
Wyden	Abraham
	Frist
	Grams

(8) Lautenberg-Boxer amendment to increase environmental funding and offset this increase by reducing tax loopholes.

Amendment failed by:

YEAS: 11	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
Wyden	Abraham
	Frist
	Grams

(9) Lautenberg amendment to establish a 60-vote point of order against the consideration of a reconciliation bill or a conference re-

port thereto that does not include a 90 cent increase in the minimum wage.

Motion to appeal the decision of the Chair, ruling the amendment out of order, failed by:

YEAS: 11	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
Wyden	Abraham
	Frist
	Grams

(10) Grassley amendment to withhold the difference between the Chairman's 1997 mark for defense and the President's suggested levels, until notification from the President that additional funds are needed for national security purposes.

Amendment failed by:

YEAS: 12	NAYS: 12
Grassley	Domenici
Exon	Nickles
Hollings	Gramm
Johnston	Bond
Lautenberg	Lott
Simon	Brown
Conrad	Gorton
Dodd	Gregg
Sarbanes	Snowe
Boxer	Abraham
Murray	Frist
Wyden	Grams

(11) Boxer amendment to establish a majority point of order against the consideration of any legislation containing a cut in income taxes which did not have at least 90% of the tax benefits going to families with incomes of less than $100,000.

Motion to appeal the decision of the Chair, ruling the amendment out of order, failed by:

YEAS: 11	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton

Boxer	Gregg
Murray	Snowe
Wyden	Abraham
	Frist
	Grams

(12) Boxer amendment to establish a majority point of order against the consideration of any legislation that jeopardizes the quality of nursing home standards or places a financial burden on families who are financing long-term nursing care.

Motion to appeal the decision of the Chair, ruling the amendment out of order, failed by:

YEAS: 11	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
Wyden	Abraham
	Frist
	Grams

(13) Simon amendment to transfer defense funds to education and international affairs.

Amendment failed by:

YEAS: 9	NAYS: 15
Hollings	Domenici
Johnston	Grassley
Lautenberg	Nickles
Simon	Gramm
Conrad	Bond
Sarbanes	Lott
Boxer	Brown
Murray	Gorton
Wyden	Gregg
	Snowe
	Abraham
	Frist
	Grams
	Exon
	Dodd

(14) Simon amendment regarding budget scoring of the administrative costs of direct and guaranteed student loans.

Amendment withdrawn.

(15) Brown sense of the Senate that there should be a cap on the application of COLA's to civilian and military retirement.

YEAS: 11	NAYS: 13
Domenici	Gramm
Grassley	Bond
Nickles	Lott
Brown	Gorton
Gregg	Snowe
Frist	Abraham
Grams	Hollings
Exon	Johnston
Simon	Lautenberg
Conrad	Dodd
Boxer	Sarbanes
	Murray
	Wyden

(16) Gregg sense of the Senate that the Medicare Trustees should issue their 1996 report on the financial status of the Medicare Hospital Insurance Trust Fund immediately.

Amendment adopted by voice vote.

(17) Grams amendment to provide for the minting and circulation of one dollar coins with the savings to go towards deficit reduction.

Amendment failed by:

YEAS: 7	NAYS: 17
Domenici	Gramm
Grassley	Bond
Nickles	Lott
Brown	Gregg
Gorton	Abraham
Snowe	Frist
Grams	Exon
	Hollings
	Johnston
	Lautenberg
	Simon
	Conrad
	Dodd
	Sarbanes
	Boxer
	Murray
	Wyden

(18) Motion to report the budget resolution as amended.
Motion adopted by:

YEAS: 13	NAYS: 11
Domenici	Exon
Grassley	Hollings
Nickles	Johnston
Gramm	Lautenberg
Bond	Simon
Lott	Conrad
Brown	Dodd
Gorton	Sarbanes
Gregg	Boxer
Snowe	Murray
Abraham	Wyden
Frist	
Grams	

IX. Additional Views

ADDITIONAL VIEWS OF SENATOR DON NICKLES

Following on President Clinton's veto of the first balanced budget since 1969, Senate Budget Committee Republicans have acted again without constructive assistance from Senate Democrats or the President to report another balanced budget plan.

Under our policies the federal unified budget deficit will become the federal unified budget surplus in fiscal year 2002. This is a dramatic achievement, especially considering the lack of effort by President Clinton and the Democrats.

Comparing the Senate Republican Balanced Budget Resolution and President Clinton's 1993 tax bill highlights the differences between the two political parties:

> Spending.—The Senate Republican Balanced Budget Resolution eliminates the deficit by slowing the growth of federal spending. Under our plan spending would continue to grow, but at a slower rate. In contrast, the Congressional Budget Office says that virtually no spending cuts have resulted from President Clinton's 1993 tax bill.
>
> Taxes.—The Senate Republican Balanced Budget Resolution does not raise taxes, instead it provides a $500 per child tax credit to millions of American families. The Congressional Budget Office says President Clinton's 1993 tax bill raised taxes and user fees by $259 billion, including a $30 billion tax increase on transportation fuels.
>
> Social Security.—The Senate Republican Balanced Budget Resolution does not touch social security. President Clinton's 1993 tax bill increased taxes on social security recipients making over $34,000 per year.

Considering these facts, there can be no doubt about who is serious about balancing the budget.

In addition to the $500 per child tax credit, the Senate Republican Balanced Budget Resolution also contains a reserve fund to accommodate other deficit-neutral tax reduction initiatives. It is my hope that the Senate Finance and House Ways & Means Committees will use this reserve fund to provide significant tax incentives for economic growth including reform of the alternative minimum tax, a reduction in the capital gains tax, a reduction in estate tax for family businesses, and the expansion of individual retirement accounts.

Unlike President Clinton, Republicans should not settle for 2% annual economic growth. These tax policies are essential to jumpstart our stagnant economy, stimulate investment, and create new high-wage jobs.

Don Nickles.

ADDITIONAL VIEWS OF SENATOR BILL FRIST

The Chairman's mark is a good plan. I support the overall package and look forward to working with the Chairman to achieve a balanced budget by 2002.

One specific example that I would like the committee to reconsider is the assumption that the Agency for Health Care Policy and Research (AHCPR) be terminated. Last year, there was much focus on the Agency's performance in the area of clinical practice guidelines. Some felt it was unnecessary and duplicative. As a result, the appropriators directed the Agency to foster the growth of a strong public-private partnership. The Agency is responding and has announced its intent to get out of the practice guideline business. Its focus will be on working with universities to support their research and educational efforts in outcomes evaluation.

This is so important to the future of our changing health care system that I regret the implication that it be terminated. I hope to work with my colleagues to encourage that this important function be maintained.

BILL FRIST.

MINORITY VIEWS OF SENATOR EXON

The Republicans try to hide as much as they can in this budget, but they still deliver much of the same. As with last year's failed budgets, the 1997 Republican budget still places its heaviest burden on health care for the elderly, all to fund more generous tax breaks. The Republicans wring $50 billion more out of Medicare and $18 billion more in Medicaid than the President's budget. And experience teaches us that when they finally write the tax law, Republicans will cut taxes for the wealthiest.

The Republicans give short shrift to investments in domestic discretionary spending. Their budget cuts $65 billion more than the President's. While they have learned to give lip service to education and the environment, their funding levels show dramatic cuts. Last year's budget experience taught the Republicans that they cannot say what they are doing, but they do it nonetheless.

The Senate Republican budget is an exercise in camouflage. While promising to improve, the Budget Committees leave spending and tax decisions to other committees. In many areas, last year's vetoed budget remains our best indication of what they intend to do. It is ironic that this budget comes from the same group of Senators who just 3 weeks ago criticized the President's detailed budget for lacking specifics.

The Republican budget is also rife with gimmicks. The tax cuts mysteriously drop off from $23 billion to $16 billion in 2002. The Republicans count as savings toward balancing the budget spending cuts that they have already used in the Kennedy-Kassebaum health care bill. They similarly count twice savings in housing. Without these gimmicks, the Republican budget would not balance.

At their press conference, the Republicans made much of their claim that their budget savings were not backloaded in the final years. If you compare the last 3 years of the two plans, however, the amount of total savings is identical—82 percent.

MEDICARE

The reduction in projected spending for Medicare is still too large. The Republican budget reduces Medicare by $167 billion, $50 billion more than the President's budget. This would reduce Medicare spending growth per-beneficiary far below projected private sector growth rates, reducing quality and access to health care for millions of middle-class Americans. The $123 billion reduction in Part A will devastate rural and urban hospitals.

Damaging structural changes proposed by the Republicans will risk turning Medicare into a second-class system for seniors who cannot afford to opt out of traditional Medicare through Medical Savings Accounts. These changes would segregate the sickest and least affluent beneficiaries into in a severely weakened fee-for-service program.

Senate Republicans have not disavowed their intention to increase premiums to pay for tax cuts. Seniors, with an average income of $17,000, already spend more than 20 percent of their income on health care and can hardly afford additional health care expenses. Previous Republican proposals also permitted physicians to charge beneficiaries extra—through "balance billing" in private Medicare pans—increasing out-of-pocket costs for beneficiaries and slowly draining the fee-for-service system of both doctors and dollars.

The President's budget shows that premium hikes, deep reductions, and damaging structural changes are not necessary to balance the budget and guarantee the life of the Medicare trust fund. By preserving cuts in corporate subsidies for tax cuts for the rich, the Republicans are forced to reduce the growth of programs for middle-class Americans far deeper than the President's plan.

The President proved you can balance the budget with far fewer Medicare savings while keeping Medicare solvent and protecting seniors from new costs. The Republicans offer no detail from CBO to substantiate their claim that their plan achieves solvency for 10 years.

REDUCTIONS FROM LOW-INCOME PROGRAMS

Although the Republican budget does not identify all of the assumptions behind cuts in mandatory programs, at least 40 percent of these savings come from programs that help low-income Americans.

Medicaid

The Republican budget includes $72 billion in Medicaid cuts. This could translate into total cuts of more than $250 billion if states spend only the minimum required to receive their full allocations. Medicaid spending would reduce spending growth per person to a level below the general rate of inflation.

Although the Republican budget does not describe how these savings would be achieved, there is no indication that the Republicans intend to back down from their proposal to block grant Medicaid. If this is the case, the Medicaid provisions would not reflect the National Governors' Association proposal (as the Republican budget claims), because the governors said that states must be protected from unanticipated program costs resulting from economic fluctuations in the business cycle, changing demographics, and natural disasters.

If the block grant proposal and the spending constraints are enacted, 36 million people will lose their guaranteed access to health care. Those who do receive coverage will no longer be guaranteed a basic level of benefits. States could be forced to deny coverage to millions of children and people with disabilities, and to older Americans who rely on Medicaid to pay for nursing home and long-term care. In addition, the Republican budget gives no indication whether nursing home quality standards would be enforced.

Under their new baseline, CBO forecasts that Medicaid will cost $25 billion less than projected in December. The Republicans do not reduce their Medicaid savings by $25 billion, however, trimming them by only $12 billion. Thus, they actually propose to spend less on Medicaid than they proposed to spend during the budget negotiations.

Welfare

The Republicans claim to adopt the National Governors' Association welfare reform recommendations. The Republican budget cuts $53 billion from welfare programs, however, which matches CBO reestimates of cuts in the vetoed welfare reform conference report, rather than with the $43 billion in savings attributed to the bipartisan NGA proposal. In fact, the governors actually agreed only to $22 billion in savings and were silent about cuts to legal immigrants. The governors also proposed to expand child care and other funding above the levels provided in the welfare reform conference report. It would appear that the Republicans would rather play election-year politics with welfare reform than work toward real reforms that could be signed into law.

Earned Income Tax Credit

The Republican plan includes $17 billion in cuts to the Earned Income Tax Credit (EITC). The FITC helps low-income working families stay off welfare and out of poverty. While the details are not specified, the savings would appear to reflect a more rapid phase-out of the credit and ending the credit for four million childless workers. The Republican budget implies that no one would be worse off under this proposal because of the $500-per-child tax credit. Most families who receive the EITC, however, would be ineligible for much, if not all, of the child tax credit. Childless workers would clearly not benefit from the child tax credit. The same claims were made last year, but analysis of the final proposal indicated that more than seven million working households would have had their taxes increased under the EITC provisions in the reconciliation conference report.

THE ENVIRONMENT

The Republican's budget plan freezes all the essential environmental and natural resources programs at 1996 levels for the next 6 years. Compared to the President, the Republican budget reduces overall funding for environment and natural resources programs by 16 percent by the year 2002, including a 20 percent reduction for National Park Service operations, a 23 percent reduction for the EPA's enforcement and operations, and a 36 percent reduction for energy conservation programs. The Republican plan uses these reductions to let polluters off the hook, to the tune of $5.4 billion, by financing taxpayer spending for Superfund cleanups rather than requiring responsible parties to pay the cost.

The Republican budget would weaken EPA's ability to protect public health and the environment and lead to further deterioration of the National Parks. The Republican plan jeopardizes administration priorities such as the environmental cops on the beat program, the Partnership for a new Generation of Vehicles, and the Climate Change Action plan.

EDUCATION

Capping the direct student loan program

The Republican budget proposes capping the Federal direct student loan program at 20 percent of loan volume, crippling this successful program. Since schools participating in the direct loan program handle nearly 40 percent of loan volume, 700 will be forced out of the program. Another 400 schools planning to enter the direct loan program on July 1, 1996, would be barred under the GOP plan. This will lead to disruptions and disarray for colleges and universities and considerable headache and uncertainty for students. The Majority apparently does not believe that competition and choice belong in the student loan market; they want to assure banks and guarantee agencies continued access to Federal subsidies.

Even though the Republicans claim outlays savings of $2.9 billion over 6 years from their cap on direct lending, their proposal would cost, not save, billions, if it were score under the existing rules of the Credit Reform Act. The Republican add $6 billion in outlays to the deficit through a "baseline adjustment" directing the Congressional Budget Office to override the Credit Reform Act in their scoring of student loan programs.

No real investment in education and training

The trivial increase claimed in the Republican mark of $3 billion over their baseline for Function 500 (Education, Training, Employment, and Social Services) discretionary spending is preposterous. They boast about increasing education funding from 1996 to 1997, but a $34 million increase is shameful given how important education and training are to this Nation. They admit that their Function 500 level is $3.2 billion below a 1996 freeze. Since their baseline does not carry forward into 1997 the hard-fought compromise from last year's appropriations battle, it is clear that the Republicans have not learned that the American people, a majority of Congress, and the President believe adequate funding for education programs is essential. In real terms, the Republican mark reduced education and training spending by $25 billion below over 6 years.

CRIME AND JUSTICE

The Violent Crime Reduction Fund is not contained in the Republican Budget in the years 2001 and 2002. This would mean that the actual level of funding in the Administration of Justice account would actually decrease $3.4 billion in each of these fiscal years. It is unlikely that our need to commit adequate resources to fighting crime will end after the year 2000.

The Republican budget calls for the elimination of the C0mmunity Relations Service. This would mean the termination of all assistance now provided to local communities in preventing and resolving disputes and difficulties arising from discriminatory practices based on race, color, or national origin, or which disrupt peaceful relations among citizens.

The Republican budget would eliminate the State Justice Institute, which is a nonprofit corporation making grants and undertaking other activities to improve the administration of justice in the

United States. The President's budget proposal for this activity calls for $5 million, down from $14 million in fiscal year 1995.

Although not specifically cited in material highlighting the Republican budget, documents concerning the House budget resolution indicate that they seek to completely eliminate the Legal Services Corporation in 1998.

REPEAL OF DAVIS BACON

The Republican budget assumes $13.6 billion in savings primarily by repealing the Davis Bacon Act and the Service Control Act.

TAX BREAKS

No one should be fooled into believing that the Republicans intend to limit their tax breaks to $122 billion, as claimed by their budget. The gross cuts will be much higher. The Republicans try to hide the size of their tax breaks by not including in their baseline about $33 billion that will be raised by extending three expired taxes dedicated to trust funds and by counting the cuts over 6 years as opposed to last year's 7 years. The Republicans are not backing off of their huge tax breaks; they are merely disguising them with clever gimmicks. House Budget Committee Chairman Kasich, describing the same budget, claimed that the tax breaks will be in the range of $180 billion.

On its face, this budget does not even pay for the one tax cut it endorses, as the child tax credit costs about $137 billion. That proposal has a proven record of being a stalking horse for tax benefits for the wealthy, and there is little reason to believe otherwise with this budget. The Republican majority rejected Democrats' efforts during markup to assure that 90 percent of the tax cuts will benefit those earning less than $100,000.

The Republican budget does not call upon special interests to assume any of the burden of balancing our budget. While President Clinton has proposed that $40 billion be raised from corporate reforms and loophole closing legislation, the Republican budget lists no savings from those categories. Chairman Domenici made it clear, however, that tax increases can be used by the Finance Committee to offset additional tax decreases. If the past is any guide, the Republicans will soon be proposing to raid pension funds for working families as a way to pay for tax cuts that benefit primarily our wealthiest citizens.

The Republican budget allows for a "deficit neutral" tax relief bill that will most likely include capital gains tax breaks and other tax cuts. As many of the corporate reform provisions in the Balanced Budget Act have already been promised to pay for other legislation before the Senate, it remains unclear what will be used to offset the costs of any additional tax breaks.

Experience tells us to be very wary of Republican promises of who will benefit from their tax breaks. Last year's vetoed Republican reconciliation bill devoted 47 percent of its tax cuts to people making more than $100,000. Chairman Kasich has already promised that this year's tax breaks will likely be more of the same.

NATIONAL DEFENSE AND INTERNATIONAL AFFAIRS

The Republican budget increases the Pentagon's 1997 request by $11.3 billion. This tops last year's GOP budget, which increased the Pentagon's request by $6.9 billion. As demonstrated by recent action in the House and Senate authorizing committees, much of this increase will go toward wasteful programs that the Defense Department did not want and never would have ordered. The House Budget Committee mark includes an increase of $12.9 billion.

The Republican budget for 1997 cuts International Affairs spending from last year's level by $400 million to $18.1 billion. This is $1.2 billion less than the President requested. For the period of 1997 through 2002, the Republican budget provides $15.7 billion less than the President requested. These cuts will undermine or global leadership responsibilities and compromise our ability to advance core national interests. Republicans once again talk the talk of being a global superpower, but then refuse to walk the walk by allocating the funds necessary to act like one.

PROCESS IN THE BUDGET RESOLUTION

The Republican budget contains instructions for three different reconciliation bills to try to maximize Republican exposure during this election year. The reporting date for the fist reconciliation bill is June 14, 1996. The instructions in this first bill are limited to the Agriculture and Finance Committees.

The reporting date for the second reconciliation bill is July 12, 1996. The committees are only required to report if the first reconciliation bill has been enacted. These instructions are given widely to the Committees on Agriculture, Armed Services, Banking, Commerce, Energy, Environment, Finance, Governmental Affairs, Judiciary, Labor, and Veteran's Affairs.

The reporting date for the third reconciliation bill is September 18, 1996, barely a month and a half before the election. Reporting is contingent on passage of the prior two reconciliation bills. This last reconciliation bill is limited to tax cuts.

The Republican budget contains a tax reserve fund that allows tax cut legislation to be offset by spending cuts. The types of tax breaks allowable show the Republican priorities: family tax relief, fuel tax relief, and incentives to stimulate savings, investment, job creation, and economic growth—real capital gains—so long as the legislation does not increase the deficit.

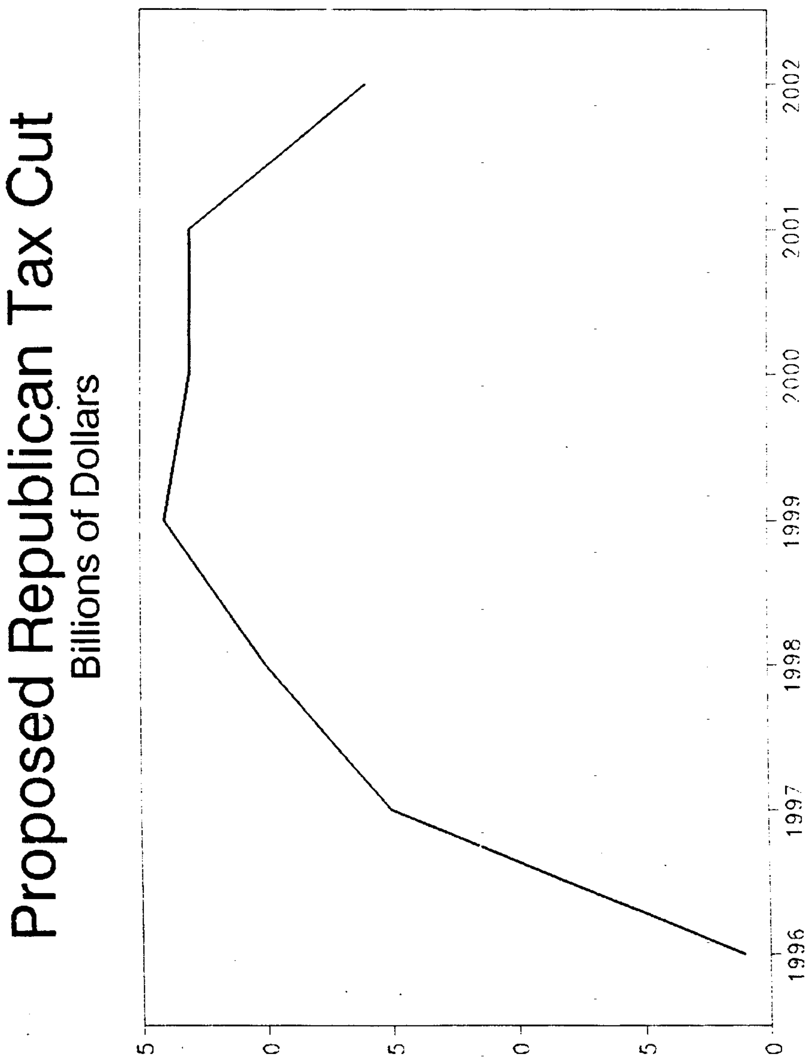
The Republican budget contains a reserve fund to reauthorize superfund. This will allow discretionary spending to be moved off budget to pay for cleanup without holding original polluters responsible.

The Republican budget repeals current scoring of emergency spending. The new provision prohibits adjustments to discretionary and mandatory caps even in the case of an emergency designated by both the President and the Congress.

The Republican budget contains a sense of the Senate provision on minimum wage that contradicts the wishes of a majority of the Senate. It sets out inflated statistics on the costs of raising the minimum wage, claims the legislation is a bad idea, and then tries to limit any legislation on the minimum wage to a freestanding bill and not an amendment.

The Republican majority has given us another extreme budget, and the Senate should reject it.

JIM EXON.



Proposed Republican Tax Cut
Billions of Dollars
25
20
15
10
5
0
1996
1997
1998
1999
2000
2001
2002

COMPARISON OF BUDGET PLANS: 6-YEAR TOTALS

[In billions of dollars]

	President's budget	Republican budget	Difference
Spending Cuts:			
Discretionary	−230	−296	−65
Mandatory:			
Medicare	−117	−167	−50
Mediciad	−54	−72	−18
Other health [1]	9	10	1
Welfare	−38	−53	−15
EITC	−5	−17	−12
Spectrum auctions	−37	−19	18
Other mandatory	−24	−19	5
Subtotal	−265	−337	−72
Revenues:			
Tax relief and other	99	180	−81
Coprporate reforms [2]	−40	−21	19
Other proposals	−5	(?)	5
Expiring provisions [2]	−43	−36	7
Subtotal	11	122	111
Policy Savings	−485	−511	−26
Debt Service	−41	−56	−16
Total Savings	−525	−567	−42
2002 Deficit/Surplus	0	0	0

[1] Health care reforms in President's budget, GME add-back in Republican plan.
[2] The Republican plan reconciles a net tax change of $122 billion over 6 years, but includes reserve fund language that allows for additional tax cuts on a revenue neutral basis. The revenue figures for the Republican plan show gross tax cuts assuming that the Republicans adopt the corporate reforms contained in the Balanced Budget Act and certain tax provisions that have expired since last year.

COMPARISON OF BUDGET PLANS: SAVINGS IN 2002

[In billions of dollars]

	President's budget	Republican budget	Difference
Spending cuts:			
Discretionary	−84	−97	−13
Mandatory:			
Medicare	−34	−53	−19
Medicaid	−22	−27	−5
Welfare	−8	−13	−5
EITC	−1	−3	−2
Spectrum auctions	−23	−7	16
Other mandatory	−5	−5	0
Subtotal	−92	−107	−15
Revenues:			
Tax relief and other	3	28	25
Corporate reforms [1]	−7	−5	2
Other proposals	−3	(?)	2
Expiring provisions [1]	−8	−7	1
Subtotal	−15	16	31
Policy savings	−190	−188	2
Debt service	−20	−22	−2
Total savings	−210	−210	0

COMPARISON OF BUDGET PLANS: SAVINGS IN 2002—Continued

[In billions of dollars]

	President's budget	Republican budget	Difference
2002 deficit/surplus	0	0	0

[1] The Republican plan reconciles a net tax change of $122 billion over 6 years, but includes reserve fund language that allows for additional tax cuts on a revenue neutral basis. The revenue figures for the Republican plan show gross tax cuts assuming that the Republicans adopt the corporate reforms contained in the Balanced Budget Act and certain tax provisions that have expired since last year.

MINORITY VIEWS OF SENATOR PAUL SIMON

I oppose this budget resolution for a number of reasons. Instead of spreading the burden of balancing the budget among all segments of our society, this resolution enacts deep spending cuts on those programs that serve the least advantaged among us—our children, our elderly, our poor. It provides inadequate funds for education and training initiatives that make the American dream possible for many citizens. It insulates defense spending from any reduction at all. It uses the money from the deep spending cuts in social services to provide billions in tax cuts while we have a nearly five trillion dollar national debt to repay. The Budget Committee voted on a number of amendments related to these issues, and I am disappointed that none prevailed.

On another, more technical issue, I want to tank the Chairman for agreeing to take a closer look at a provision that was added to last year's budget resolution required CBO to add certain expenses in its calculation of the costs of the direct student program. However, the provision did not require that the same types of expenses be included in calculating the cost of the guaranteed student loan program. I offered an amendment in Committee this year that would apply last year" scorekeeing change to both programs, rather than just the direct student loan program. But because this issue is so technical and complicated, I withdrew the amendment after having gotten the Chairman's pledge to review the issue before the resolution comes to the floor.

In the past, I have asked the scorekeeping provision be repealed, for the reasons outlined below. But if it is not repealed, it should at least be applied equally to the direct and government-guaranteed student loan programs, as the amendment I proposed would do.

My position continues to be that it is not appropriate to bend scorkeeping rules just to accomplish a narrow policy objective. If scoring practices are changed, all appropriate issues should be addressed, and the corrections should be both balanced and comprehensive. This is particularly important with loan programs, where interest rate projections, the choice of discount rates, varying tax benefits, and default expectation all play an important role. As Lawrence Lindsey, a Republican member of the Federal Reserve Board, point out last year in a letter to Sen. Abraham:

> Making the [scoring] change the industry proposes without looking at other changes which might be necessary is problematic. For example, the use of the ten year treasury rate for estimating purposes when program costs are based on short term rates creates obvious inconsistencies. Further, the $2.3 billion in revenue loss that occurs through the use of tax exempt student loan bonds is not taken into account in estimating program costs.

As Governor Lindsey pointed out, there are numerous problems with the way that student loan costs are scored by CBO (and in many cases by OMB). These include:

1. Current scorekeeping practices do not consider default problems that plague the government-guaranteed student loan program but are absent from direct loan program.

Three design flaws in the guarantee program contribute to default costs paid by taxpayers. The direct loan program does not have these flaws. However CBO and OMB still assume that defaults in the two programs will be identical. This makes no sense.

First, GAO has pointed out that perverse financial incentives contribute to defaults in the Federal Family Education Loan Program (FFEL, the guarantee program). The auditors have pointed out that "guaranty agencies have more financial incentive to expend resources collecting on defaulted loans than working with borrowers to prevent defaults because they can earn additional revenue from default collections." On the other hand, because direct lending uses private sector contractors to collect on loans, competitive pressures keep them focuses on the task of collecting payments. Since defaulted loans are moved to other servicers or collection procedures, direct loan contractors have no incentive to allow defaults.

Second, the enormous complexity of the guarantee system causes borrower confusion and, according to the most recent IG/GAO financial audit (February 1996), "hampers the Department's ability to obtain reliable student loan data." This audit declares that "[o]ne of the most significant problems is that the Department's student loan information system contains data that is not timely or accurate, thereby limiting its use for compliance and evaluation purposes." The number of lawsuits challenging default rate determinations is testament to this problem.

Third, and perhaps most dangerous, are the conflicts of interest that plague FFEL. Both the U.S. General Accounting Office and the Inspector General have pointed out how guaranty agencies risk taxpayer funds when they, or their officials, also have financial ties to lenders, secondary markets, or loan servicers. Indeed, the collapse of the Higher Education Assistance Foundation (HEAF), which cost taxpayers an estimated $280 million according to GAO, was related to a conflict-of-interest problem. In its March 1993, report, the IG described an "egregious" example in which one agency, accused of not following due diligence requirements, asked the Department of Education to waive a $1 million fine "because it would ruin its affiliated secondary market." The report points out that:

> The guaranty agency's appeal was clearly designed to protect the financial condition of its affiliated secondary market. It also demonstrates how the financial health or an affiliate may influence the decision-making of the guaranty agency.
>
> The conflict was even more apparent in June 1990, when the same guaranty agency completed a lender review of its affiliated secondary market and reported numerous areas of noncompliance, including due diligence violations. However, the guaranty agency neither required the appropriate repayments resulting from the violations nor took action to

> ensure future corrective action. The guaranty agency's actions were even more egregious because it had contracted with the secondary market to review the secondary market's own claims and determine whether the guaranty agency should pay them.
>
> About eight months later, in February 1991, OSFA [ED's Office of Student Financial Assistance] conducted a review of the same secondary market. OSFA found that the guaranty agency's prior review had not been appropriately resolved, and compelled the secondary market to formally address the findings. Only after OSFA's intervention did the guaranty agency assess liability of over $1.1 million against its affiliate. In our opinion, the guaranty agency's reluctance to enforce the Federal regulations clearly demonstrates that the interests of the taxpayers and those of its affiliate were in direct conflict.

These types of costly conflicts of interest do not exist in the direct loan program, according to testimony by the acting IG before the Senate Labor and Human Resources Committee on March 30, 1995.

Despite all of the design flaws of FFEL that contribute to defaults, and the simplicity and appropriate competitive pressures in the direct loan program, CBO and OMB still assume that defaults will be the same in both programs. Given the evidence, this practice clearly should be reviewed.

2. Budget scoring does not consider significant tax losses attributable to FFEL.

The majority's analysis of President Clinton's 1997 budget criticizes OMB's scoring of direct versus guaranteed loans, and declares that FFEL and direct loan "program costs are virtually identical * * * [but] capital for guaranteed loans comes from private sector lenders." This latter statement ignores the fact that (1) the capital is essentially co-signed by federal taxpayers, (2) the largest student loan secondary market, Sallie Mae, is a government-sponsored enterprise, and (3) most of the other secondary markets are state government and non-profit entities that are financed using state-sanctioned bonds that are exempt from federal income taxes.

The tax losses from these bonds—estimated by the Joint Tax Committee at $2.3 billion over five years—are not included in the budget analysis of direct versus guaranteed loans.

These government and "non-profit" secondary markets and loan servicing entities also reduce federal income by not paying income taxes on activities that would otherwise be subject to corporate income taxes. Thousands of state government and "non-profit" employees work for banks and secondary markets collecting payments on loans. The "profits" from these activities are not taxed, giving these agencies an unfair advantage over risk-taking entrepreneurs and robbing the federal government of revenue. In the direct loan program, these activities are undertaken by private sector, tax-paying contractors. Again, the budget analysis ignores these millions of dollars of tax losses.

3. Budget scorekeeping conventions protect banks from interest variations and artifically reduce costs in FFEL, while inflating direct loan costs.

Through their entitlement to a "special allowance payment," lenders are protected by the federal government from short-term interest fluctuations. Banks and secondary markets, therefore, can and do fund their student loans through low-interest, short-term securities. In this situation, the standard accounting practice would be to assume that the government's cost of funds is also based on short-term securities. Indeed, that is the deal that Sallie Mae got when the United States lent hundreds of millions of dollars to the company; even though they were 15-year loans, the interest rate was pegged to three-month Treasury bills (and was reset weekly). However, CBO and OMB assume that the government's cost of funds is a higher, long-term rate. This practice unfairly disadvantages the direct loan program compared to FFEL.

4. Excess payments to banks should be counted. With its forty-odd guaranty agencies and thousands of banks, the crisscrossing invoices and subsidies make the guarantee program nearly impossible to audit. GAO has found that some banks benefit from this complexity by failing to pass along student origination fees that are due the government. These types of costs should be included in the cost calculation for FFEL. Unfortunately, the guaranty agencies have prevented a real analysis of the costs of the guarantee program by refusing to provide the Department with data for a random sample of borrower records. This type of insubordination should not be tolerated.

These and other important budget scoring issues cannot be addressed by adding a few words to the budget resolution. That is why I am asking that last year's change be repealed. If it is not, then I am hopeful that, through the Chairman's review of the issue, it will be fixed on the floor, in the manager's amendment, so that it is not one-sided.

PAUL SIMON.